# FINANCIAL TIMES

THURSDAY FEBRUARY 1 1996

Guided weapons A dilemma

for Britain



Should I buy a new Mac?

Technology, Page 10

to Europe



Deep resources

Accessing the US capital markets

Survey, Pages 21-24

## Kinnock attacked over approval of subsidy for Iberia

European Union transport commissioner Neil Kinnock (below) has been denounced by the British



government for approving a Pta87bn (\$713m) state subsidy for the Spanish airline Iberia. iscount Goschen, the UK aviation minister. threatened a European Court challenge to the "depressingly weak decision". Mr Kinnock has justified his position by saying the Spanish government's rescue pack-

age should not be categorised as state aid in the tra-

Ford warns of weaker earnings: Ford, the US's second biggest car manufacturer, said its core operations had barely managed to break even in the final quarter of last year and warned that the cost of launching models in the US and Europe would lead to weaker earnings in the first six months of this year. Page 15; GM rediscovers brand, Page 18

Chirac presents Nato plans: French president Jacques Chirac is to outline to the US government his hopes for a reformed Nato, going back on earlier ambitions to upgrade the Western European Union to supersede the Atlantic alliance. Page 2: Editorial Comment, Page 13

Santer launches 'confidence pact': Jacques Santer, president of the European Commission. announced plans to spend an extra Ecul.7bn (\$2bn) on public works in a "confidence pact" to counter fears that moves to monetary union are putting people out of work. Page 14

Crédit Foncier chief removed: The French government announced the abrupt replacement of the head of Crédit Foncier de France, the troubled financial institution specialising in property lending. But in an unusual turn of events Jean-Claude Colli did not resign, in a gesture believed to reflect his frustration with the decision. Page 15

Elf, the French oil company, and Enterprise, the UK explorer, have "reorganised" their lossmaking Elf Enterprise Petroleum joint venture. Elf and Enterprise said there would be no impact on the three North Sea fields operated by EEP. Page 20; Operators seek cost savings, Page 8; Lex, Page 14

Rhône-Poulenc to cut debt: French chemical group Rhone-Poulenc announced a 10 per cent decline in operating income and disposals worth FFr10bn (\$2bn) aimed at cutting its debt and boosting its "inadequate" profitability. Page 16

Oregon to have Democrat senator: Oregon is to have its first Democratic US senator in 29 years with the election of Congressman Ron Wyden to replace Senator Bob Packwood, who resigned last er over charges of sexual harassment. Page 4

Philip Morris, the US tobacco and food group. recorded a 16.5 per cent jump in net profits to \$1.3bn in the fourth quarter, helped by strong sales of Mariboro cigarettes. Page 18

Philippine reforms in doubt: The largest party in the ruling Philippine coalition has split off to form an opposition group in the senate, calling into question the government's ability to enact controversial economic reforms. Page 14

Hanson shares fall: Industrial conglomerate Hanson's shares fell 8%p to 202%p on the London market as doubts emerged about its plan to split into four. Page 15; The Hanson demerger, Page 20

**New Polish PM proposed:** The leaders of both parties in the ruling Polish coalition proposed Wlodzimierz Cimoszewicz from the ruling Democratic Left Alliance to replace Jozef Oleksy as prime minister, pointing to an early end to the political crisis. Page 14: Profile, Page 2

Move to defuse Turkish-Greek tensions: Richard Holbrooke, the US envoy to the Balkans. launched a diplomatic initiative to defuse Turkish Greek tensions and avoid the recurrence of armed stand-offs in the Aegean. Page 2

Alliance & Leicester, the UK's fourth largest building society, confirmed that it planned to float and become a bank by early next year, but the scale of the bonus to its 2.5m investors is uncertain.

Lex, Page 20 Eurodis Electron, the fifth largest electronic component distributor in Europe, faces a poten-tial's hostile takeover after Elektrowatt, its largest Shareholder, said it intended to sell its 42 per cent

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**Apple forever** 



Sniffing around PetsMart turns

## Canadian banks sue law firm over Canary Wharf

By Bernard Simon in Toronto and Robert Rice in London

Clifford Chance, the UK's largest international law firm, is being sued for C\$1.3bn (\$940m) by four Canadian banks which incurred heavy losses in the early 1990s from the collapse of the Canary Wharf office development in London's Docklands.

Writs filed by the banks simulaneously in London and Ontario allege that they forfeited an influential role in the restructuring of Canary Wharf as a result of incorrect information provided by Clifford Chance in a 1989 legal

The UK firm has not yet filed a defence. However, it has challenged the Ontario court's jurisdiction to hear the case. A hearing on the jurisdiction issue has been scheduled for the end of

Canary Wharf was put into administration in May 1992 following the collapse of its parent, Olympia & York Developments. the property group owned by Canada's Reichmann family

Under a subsequent restructuring, a group of 11 international banks, including the four Canadian institutions, gained control

The banks' involvement ended late last year when they sold their interest to a consortium led by Mr Paul Reichmann. The four Canadian banks - Royal Bank of Canada, Canadian Imperial Bank of Commerce, Bank of Nova Scotia and National Bank of Canada - filed their claim against Clifford Chance last June, before the

The claim stems from a £400m (\$616m) "equity loan" which the banks provided to O&Y in 1989 to capitalise Canary Wharf's main holding company. O&Y pledged its shares in the holding company as security for the loan. According to the banks, Clif-

the holding company was a private limited company, when in fact it had unlimited liability. The banks allege that, because of the company's unlimited liability, they were unable to enforce

ford Chance advised them that

liable themselves for the project's entire debt.

According to CIBC's statement of claim, "the bank's expectation that it would enforce its pledge and thereafter control the completion, lease-up and ultimate disposition of Canary Wharf...was therefore completely frustrated as a direct result of the defen-

dant's negligence". In a statement issued yesterday the law firm said the C\$1.3bn figure was misleading. "To date no evidence has been produced to us that any loss was incurred by

these banks in relation to these loans following the collapse of O&Y as a result of any negligence on the part of Clifford Chance. If the banks pursue the claim, they will have to provide evidence of the alleged loss, but in that event we believe the amount involved would be very

The firm refused to discuss its indemnity insurance cover, but it is widely believed large UK law firms carry cover up to £150m.

Dutch bank plans City F ? Par v 8

## Fed reduces short-term US rates by quarter point

The Federal Reserve - the US central bank - yesterday moved to stimulate a sluggish economy by cutting short-term interest rates by a quarter point.

The easing of policy followed a similar quarter-point cut in rates late in December. The immediate reaction on Wall Street was subdued because share prices had already risen strongly on Tuesday in anticipation of the Fed's

The Dow Jones industrial average, which suddenly dropped 30 points from its opening level minutes before the rate cut announcement, recovered in late-afternoon trading to be up about 15 points. Bond prices were volatile, but shortly after the cut, the 30-year long bond was up a modest % point at 111%.

"Moderating economic expansion in recent months has reduced potential inflationary pressures going forward." the Fed said yesterday in a short explanatory statement. "With price and cost trends already subdued, a slight easing of monetary policy is consistent with contained inflation and sustainable

growth." The Clinton administration welcomed the decision and said the fundamentals were in place for a strong economy in 1996.

The policy relaxation involved cuts in two short-term rates. The Fed lowered the federal funds rate - the rate at which banks lend to each other - by a quarter point to 5.25 per cent. Governors also voted unanimously to lower the largely symbolic discount rate - the rate at which the Fed

lends to banks – by a quarter point to 5 per cent.

Mr John Lipsky, chief economist at Salomon Brothers in New York, said there was "ample justification for additional easing beyond today's move". The fact that the Fed had cut the discount rate, he said, indicated it might be contemplating a further cut before the next scheduled meeting of the policy-making open market committee in March.

Yesterday's move marked the third quarter point cut in the federal funds rate since the Fed began to ease monetary policy last July, when rates stood at 6 per cent. The discount rate was last reduced in July 1992.

The Fed was responding to weak statistics indicating that economic growth has slowed to an annualised rate of about 1.5 per cent. well below the economy's potential. It has also been criticised for keeping short-term rates unnecessarily high relative to an underlying inflation rate of about 2.5 per cent.

Some Wall Street economists believe the Fed will ease policy several times this year, bringing short-term interest rates to about 4.5 per cent by the summer.

Others, however, believe there is little, if any, scope for further rate cuts because the economy is likely to rebound naturally this spring. They point out that recent soft data partly reflects special factors, including two partial government shutdowns, a long strike at Boeing, the aircraft maker, and unusually severe

Lex. Page 14; Bonds, Page 26; Currencies, Page 27; World



## US airlines landing on their feet

By Richard Tomkins in New York

The US airline industry, long mired in heavy losses, made an astonishing recovery in 1995 by notching up its most profitable year since the invention of powered flight.

With most US airlines' fourthquarter results now in, the Air Transport Association, an industry body, believes net profits for the year will total about \$2.2bn. easily beating the previous record of \$1.7bn in 1988.

The 1995 figure represents a turnround from losses of \$279m the year before and marks the end of a five-year period during which US airlines ran up combined losses of more than \$13bn.

One reason for the return to profitability was a rise in passen-ger traffic. The Air Transport Association said the number of miles flown by passengers rose by 2.7 per cent on domestic flights and by 4.1 per cent on Stocks, Page 36 international flights last year,

making 3.1 per cent overall. The airlines have also been making determined efforts to cut costs. UAL, parent of United Airlines, has given its employees a con-trolling stake in the company in return for pay cuts worth \$4.9bn over 12 years. Delta Air Lines is part way through a plan to cut its workforce by 15,000, or 20 per

cent, saving \$2bn a year. However, the biggest contributor to the profits growth has been the increase in fares that has accompanied cuts in capacity.

Most large US carriers have been withdrawing from routes where they do not make money, leaving fewer seats to be filled with bargain-basement fares.

Mr Philip Bapgaley an analyst at Standard & Poor's, the US credit rating agency, said the common philosophy among airlines in the 1980s was to try to build up a national route network, covering as much of the country as they could.

"Today, in contrast, airlines have retreated to more modest

goals and are focusing mainly on markets where they have competitive strengths, conceding the other markets to others," he said.

In spite of the record profits, the industry's celebrations are muted. The Air Transport Association pointed out that, even at these levels, the industry's net profits represent barely 2.5 per cent of revenues compared to an average net profit margin of 5 per cent for US industry generally.

Continued on Page 14

## Jobs warning by German car industry despite Bonn plan

By Wolfgang Münchau in Stuttgart

The German car and components sector will shed 100,000 jobs by the end of the decade unless the government agrees to fundamental measures to reduce business costs, the industry said yesterday, only a day after the Bonn coalition presented its economic stimulus package.

The warning came as the Bundesbank allowed its securities repurchase rate, the most important influence on shortterm money market rates in Germany, to fall to its lowest level since November 1987. However, the view among

Frankfurt bankers and analysts was that the drop in the repo rate from 3.55 per cent to 3.4 per cent did not presage a cut by the Bundesbank council today in the key discount and lombard rates from 3 per cent and 5 per cent.

Germany Repo rate (%) مدال

The car industry's gloom underlines its lack of confidence in the government jobs programme, its

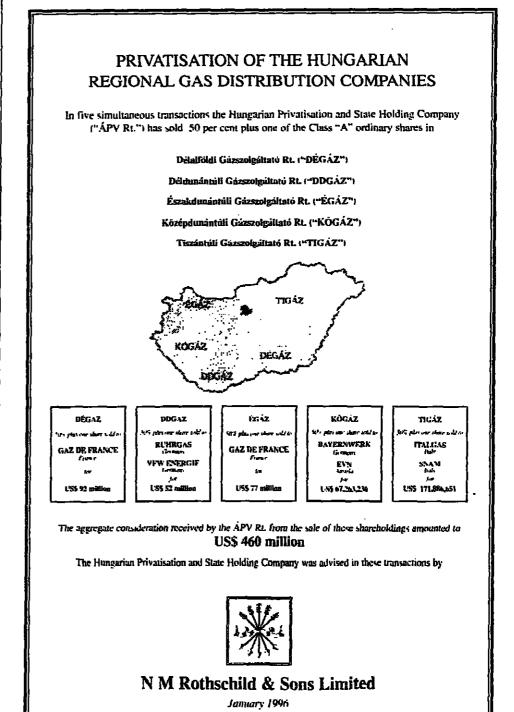
The German motor industry association (VDA) also claimed that a recent change in the tax rules for people with company cars would cost the industry billions of D-Marks in lost sales. At her annual news confer-

ence, Ms Erika Emmerich, president of the VDA, one of Ger-many's most powerful lobbying groups, said: "Without further sustained cost reductions, which could lead to an improvement in [Germany's] competitive position, the pressure for further job reductions will increase. We could see a further 100.000 job iosses in the car industry and its suppliers by the end of the

She called on the government

inued fears about the waning competitive general frustration t is considered to be est cost base in the	eness Bundesban about Page 2; E e the Page 13; C	Continued on Page 14 k cuts repo rate, iditorial Comment, urrencies, Page 27; s. Page 36
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## Brussels plan to clean up mergers mess

By Emma Tucker in Brussels

medium-sized companies in different EU countries propose a merger, a good deal of paperwork, confusion and time wasting can lie ahead as lawyers seek to clear the deal with all relevant competition authorities.

Procedures are far from uniform. Luxembourg, Finland, and Denmark have no national competition authority; in France, Spain and the UK, notification is not obligatory. Turnover thresholds trigger-ing a notification vary across the Union from less than Ecu500,000 (£412,337) for individual company turnover, to

not only more effi-

( ) ac, but legally more certain,

argue officials. Under existing

rules, mergers are referred to

the EU's competition authori-ties only if the combined

global turnover of the compa-

nies involved is more than

Ecu5bn and at least two of the

merging companies have a

combined turnover of more

than Ecu250m inside the EU.

A green paper unveiled by Mr Karel Van Miert, the com-

petition commissioner, yester-day proposed a reduction in

these thresholds to Ecu2bn

and Eculoom, bringing more mergers under the remit of the

states which are proud of their

traditions of domestic competi-

fall-back position.

tion. So he has also prepared a

Brussels would take control

of those mergers which fall

between the old and the new

thresholds and which have to

be notified to more than one

national competition authority

- a more messy option, accord-

ing to lawyers, because a case

that has to be notified in one

member state, may not qualify

in another.
The Commission's proposals

are not solely motivated by

the need for efficiency. It is

also concerned that certain

sectors consistently fall out-

side the scope of EU merger

the single market. "A number

of mergers particularly in pub-

lishing and chemicals, do not

reach the thresholds, but are

very significant at a commu-

nity level," said Mr Van Miert.

speed up the time it takes to

clear joint ventures. These are

not covered by the merger

rules which set precise dead-

lines. Instead, joint ventures

fall under general competition

rules with no deadlines. One

option floated is to apply the

merger rules to certain types

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of joint ventures.

GERMANY:

FRANCE:

A third proposal attempts to

rules, even though cross-border deals have an impact on

## Clinton peace envoy turns to Aegean

By Kerin Hope in Athens, John Barham in Ankara

Mr Richard Holbrooke, the US envoy to the Balkans, yesterday announced a new diplomatic initiative to defuse Turkish-Greek tensions and avoid the recurrence of armed stand-

offs in the Aegean. The latest shows of force eased yesterday, to the relief of Nato governments, as warships from Greece and Turkey with drew from the disputed Imia islets under strong pressure from President Bill Clinton. But Mr Holbrooke, reflecting

profound US concern over the crisis, said he would turn his attention to the Aegean next month instead of embarking on a previously planned effort to. solve the Cyprus problem.

Turkey is "the new frontline state of Nato (and) you cannot have the southern flank of

Nato in constant tensions", he This week's three-day crisis, the worst between Greece and



Turkey since 1987, was a troubling reminder of the mistrust between two notional allies headquarters in Brussels are barely on speaking terms. The shows of force also high-

lighted the stridently nationalist climate of domestic opinion with which governments in both Athens and Ankara are obliged to contend - whether they actively cultivate the sen-

The White House said President Clinton was "satisfied that his telephone calls had an impact (which) was very shortly seen in the agreement that was reached".

Turkey's government and media declared victory after Greece removed its troops and flag from the barren four-hectare rock. Mrs Tansu Ciller, the caretaker prime minister, appeared to have enhanced her own position during Turkey's post-election political impasse. "I promised the Turkish people that Turkey does not have even one single stone to give,"

"I promised that [Greek] soldiers would go, that [their] flag will go. As of today [their] flag has gone and the soldiers have gone," she added.

she said.

Her stance received strong backing from the Turkish press, which had played a sig-nificant part in arousing public opinion over the issue in the

The Interstat TV channel

Turkish troops from one of the disputed islands with Ottoman. military music playing in the background, and a subtitle stating "victory returns".

However, Mr Necmettin Erbakan, the leader of the Islamist Welfare party, denounced Mrs Ciller for having compromised under west-

ern pressure.
"Why are we taking our own.
flag down and withdrawing
from our own soil?" Mr Erbakan demanded to know. Greece's new prime minister, Mr Costas Simitis, faced an even broader barrage of domestic criticism for having swallowed his pride and backed

Tuesday that the flag would remain in place. Opposition conservatives walked out of the Greek parliament, and even leftwing newspapers which support the Socialists criticised the new

This week's confrontation was particularly dangerous

covered the withdrawal of because both countries are in a state of political transition. Mr Simitis, in his first test after being sworn in earlier this month, has had to fend off charges of betrayal. By contrast, Mrs Ciller appears to have been strengthened by

playing to nationalists. Athens moved last year to assert its sovereignty in the Aegean, planting flags on uninhabited Greek islands off the Turkish coast and promoting a plan for settlers to move to Greek islands deserted in recent years.

The latest conflict began last week when it emerged that in December, the captain of a Turkish ship that ran aground down from a pledge made on on the islet had refused assistance from a Greek tug, on the elonged to Turkey.

Hurriyet, one of Turkey's best-selling newspapers, had escalated the crisis on Sunday when it sent a group of report ers to one of the disputed islets to replace a Greek flag with a

Bruce Clark in London

President Jacques Chirac will today put to the US government his hopes for a reformed Nato that would vindicate France's decision to move closer to the alliance after three decades of estrange-

But as Mr Chirac will tell his US hosts, these moves reflect a significant change in French thinking an admission that for the foreseeable future, the Atlantic alliance will be

"France has understood that Nato is the primary security organisation in Europe," said Mr Philip Gordon, a fellow of the International Institute for Strategic Studies.

Nato," one said. This means that Paris will eventually supersede the Atlantic alliance. French officials retain their belief that the US engagement is fragile and should not be

relied on for ever. But they are

more willing than before to accept the argument that Europe should take as much US help as it can get. Observers say this change of France's political class to accept if President Chirac can

demonstrate that Nato itself is evolving in acceptable ways. Despite the fanfare over the French policy change in Brussels last December, France remains outside alliance's military structure - nor will it find it palatable to rejoin as long as the structure is over-whelmingly dominated by US

US defence chiefs, for their part, remain cautious about committing armour and electronics to Europe unless they cam determine how they will

In the short term, Presidents Chirac and Bill Clinton will be trying to resolve a two-year deadlock over the terms on which European-only military missions might borrow Nato assets, which are mainly Amer-

The French president will also flesh out a proposal for a political dialogue within Nato on nuclear arms. Officials in Paris say this idea should not be interpreted as a move to give French nuclear weapons a pan-European role.

"The European deterrent is not for now," said one official. "We must build the walls [of European defence] first, and then perhaps add a nuclear

## Chirac takes his security ideas to US

Struggling to rehabilitate his international image after a controversial series of nuclear tests in the Pacific, Mr Chirac, will be laying out France's new ideas on European security at the White House and the US

So far, France's dramatic two-month-old promise to rein-tegrate partially with Nato has only had limited practical consequences - an upgraded French presence in certain alliance committees and institu-

Europe's main defence club.

French officials are acknowledging that efforts to build up an independent European defence capacity, starting with the Strasbourg-based Eurocorps, have proved much harder and more time-consuming than hoped. "The European [defence] pillar will be in

soft-pedal on its earlier ambitions to merade the 10-pation Western European Union into an organisation which could Editorial comment, Page 21 EUROPEAN NEWS DIGEST

## Bundesbank cuts repo rate

Short term German interest rates were given a significant nudge downward yesterday when the Bundesbank's securities repurchase rate dropped 0.15 points to 3.4 per cent, its lowest level for more than eight years. The relatively steep fall in a rate which guides Germany's short-term money market rates, triggered an identical drop in the Belgian central rate to 3.4

The repo was last set below 3.4 per cent in November 1987. when it stood at 3.25 per cent. But while yesterday's drop prompted speculation about cuts in the discount and lombard rates, the general view in Frankfurt was that today's meeting of the Bundeshank council would leave these unchanged at 3 per cent and 5 per cent respectively.

Bankers argued that the Bundesbank would want to assess the effects of its half percentage point reductions in the discount and lombard in mid-December before acting again. After relatively strong money supply growth in December, the bank was expected to wait for January's money supply data, due in the second half of February, before considering further

Mr Ulrich Ramm, the head of Commerzbank's economics department, pointed out that rate cuts could further unsettle long-term interest rates, which have recently moved up slightly after a profracted fall.

#### Albania bar on ex-Communists

Albania's constitutional court yesterday ruled in favour of a law barring former Communists from office until 2002, dashing the hopes of leading opposition figures of running for parliament in this spring's general election. The government introduced the so-called genocide law last year to prevent officials of the former Communist regime standing for parliament or applying for jobs in the judiciary or state media

until the year 2002. The court also backed a law calling for the creation of a nine-member committee with access to former secret police files. The committee will issue certificates to politicians stating they did not collaborate with the old regime, which will then allow them to stand in elections. The court chairman said in his ruling: "It is the authors, creators and enforcers of that savage and inhuman dictatorship (Albania's four-decade Stalinist regime) that the constitutional law denounces."

The outcome has drawn an angry response from the two opposition parties, which branded the court a tool of President Sali Berisha's governing Democratic party. Reuter, Tirono

## Hoechst pledges improvements

The German chemical group Hoechst will allocate DM150m (\$100m) to upgrade its monitoring, measuring and training facilities following protests over the way it reacted to two large chemical spills at the weekend. It may also consider closing one of the plants involved. In a contrite speech aimed at trying to restore public confidence in the company, Mr Jürgen Dormann, its chairman, said there would be a thorough investigation into the accidents, why there had been no public information immediately after the leaks, and into communication problems between the company's various

In the first accident, last Saturday, a lid blew off a large vacuum dryer and tore a hole in the roof of a plant in Griesheim, near Frankfurt. A ton of pesticide, containing a substance which causes cancer in rats, then spewed into the air. However, Hoechst employees took more than an hour to notify the company's fire department. In the second accident, on Sunday, chemicals boiled over for more than three hours in a distillation machine. In that case, the department waited until Monday before telling the the company's

## Berlusconi faces new charges

Anti-corruption magistrates in Milan have asked for Mr Silvio Berlusconi, the former Italian premier, to be sent for trial on a **7 Charge of Hilcit III** embracing 21 people including Mr Bettino Craxi, the exiled former Socialist leader, relates to the channelling of allegedly illegal funds to politicians via the offshore subsidiaries of Mr Berluscom's Fininvest business empire.

The move follows the handing over by Swiss judicial authorities last December of documents connected to Fininvest's financial transactions in Switzerland, Fininvest lawyers deny any of the funds passing through its offshore subsidiaries have been illicit.

Milan judges are considering two other requests for Mr Berlusconi to be sent for trial on charges of falsifying accounts and tax fraud. Mr Berlusconi was in court last month on charges of being involved in bribes paid to members of the Guardia di Finanza, the financial police, to ensure favourable tax inspections of Fininvest companies. Robert Graham, Rome

## Buying back the Berlin Wall

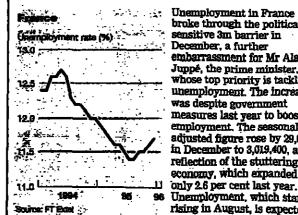
Former owners of ground occupied by the Berlin Wall will be allowed to have their property back, provided they pay a quarter of the current market value, Germany's governing coalition parties proposed yesterday. The compromise, reached after five years of wrangling between former owners and the finance ministry, could end a category of property disputes which has plagued investors in Berlin. Those who had property along the eastern side of the Wall

had not been entitled to restitution or compensation. The federal government, especially the finance ministry, had argued that since property along the Wall had been under the former east German defence authorities, these lucrative property sites should automatically pass to the federal government after reunification in 1990.

Yesterday's proposal was criticised by the opposition Social Democrats. They insist the property should be returned to its former owners immediately and without conditions, because they believe former owners are unlikely to be able to afford a buy back their property.

**ECONOMIC WATCH** 

## French jobless total tops 3m



broke through the politically sensitive 3m barrier in December, a further embarrassment for Mr Alain Juppé, the prime minister. whose top priority is tackling unemployment. The increase was despite government measures last year to boost employment. The seasonally adjusted figure rose by 29,000 in December to 3,019,400, a reflection of the stuttering economy, which expanded i only 2.6 per cent last year. 96 Unemployment, which started rising in August, is expected to continue deteriorating

during the first half of the year. Recent estimates suggest economic growth this year might be only 1.6 per cent, against the 2.8 per cent level required to compensate for jobs lost through corporate productivity gains. The latest figures will also further undermine consumer confidence, which the government has tried to bolster this week with a cut in base rates and a 25 per cent tax deduction on loans for consumer goods for two years after purchase. Paul Abrahams, Paris ■ Finland's gross domestic product rose in November by 0.2 per cent month-on-month and 2.9 per cent year-on-year. Austrian unemployment in January was 3.7 per cent, compared to 3.9 per cent in December

A leftwing lawyer rets Polish verdict

Inthony Robinson

emergence of Mr odzimierz Cimoszewicz as e most likely successor to he disgraced Mr Jozef Oleksy as prime minister of Poland's leftwing coalition government could be the first step towards healing the political wounds reopened by the recent presi-dential election campaign and the forced resignation of Mr

The 45-year-old lawyer comes from the ranks of former communists who turned over a new political leaf when the communist party disbanded after its humiliating moral defeat in the semi-free elections of autumn 1989.

But, while most other former communist supporters joined the Social Democratic party led by Mr Alexander Kwasniewski when it was formed in 1990, he remained

This unwillingness to join the main successor party to the Polish United Workers' party - the full name of the old communist party - while remaining on the left of the historical dividing line of Polsuch stark reductions in of political independence.
thresholds may be too much to this distance from the ish politics, reflects his deter-

stream post-communist party makes him more acceptable to the Peasant party (PSL), the junior coalition member, which had earlier proposed one of its own candidates as prime minister. But in practice the PSL, a single issue party which serves the interests of farmers, is more interested in retaining power than retain-

ing the premiership.
The PSL's gradging acceptance of Mr Cimoszewicz as prime minister is likely to be paid for by concessions in other areas. It wants more influence over key ministries such as privatisation, cur-



Cimoszewicz: A leftwinger known for his independent views

privatisation\_SLD member. could cautiously move towards Mr Cimoszewicz could also be more acceptable to those within the opposition Freedom Union, the former Solidarity party, who argue that Poland needs a political realignment to replace historical divisions with new alliances based on common interests.

In key areas such as European Union and Nato membership, privatisation and free trade, the reform wing of the SLD has more in common with the free-market wing of the Freedom Union than with the protectionist and xenophobic Peasant party. If he manages to win sufficient support from

rently held by Mr Wieslaw vote of confidence within the Kaczmarek, a strongly pro- next 14 days, Mr Cimoszewicz In 1990, when the memory of

ter of justice when the former unists returned to power in September 1993 and then

## promise".

called Stan Tyminski.

deputy speaker of parliament after the reshuffle on March 1995 which gave Mr Oleksy the premiership.

## a Polish-style "historic com-

communist rule was still fresh and leftwing prestige at a low ebb, Mr Cimoszewicz stood as the leftwing presidential candidate, but it was a quixotic gesture. He was eclipsed in the first round by an obscure Canadian-Polish businessman

However, he became minis-

## the current coalition to win a raises doubt on Start 2

By Chrystia Freeland in Moscow

A senior politician warned yesterday that the Russian parliament was unlikely to ratify the Start 2 nuclear arms reduction treaty with the US before the presidential elections in

parliament's foreign affairs commission, said that the Communist-dominated legislature would probably block President Boris Yeltsin's promise to secure approval by mid-April. The US Senate ratified the treaty last

Mr Vladimir Lukin, chairman of the

week, adding to the international pressure on the Kremlin to push the deal through in Russia. Over the weekend Mr Yeltsin sought to appease his for-

before a summit meeting on nuclear security due to be held in Moscow in mid-April. His government is presently in tricky negotiations with the Interna-

tional Monetary Fund for a \$9bn loan. But Mr Lukin, a former Russian amhassador to the US who strongly supports the agreement, warned yesterday that trying to push the agreement through a hostile legislature prematurely could backfire.

"If we are talking about April, this seems unacceptable," he said. "I would rather have this important treaty ratified after the elections than have it rejected before then."

Mr Yevgeny Primakov, the foreign minister, said yesterday he hoped parliament would ratify Start 2 this spring, eign counterparts by promising to per-suade parliament to approve Start 2 endorsed the treaty it might attach new

conditions. "But we hope the essence of the pact will not be subject to revi-Earlier this week, Communist and

nationalist politicians, who are gearing up for the presidential poll scheduled to be held on June 16, raised fierce objections to Start 2 and warned they might vote against it in parliament. Together, the Communists and ultranationalists could easily defeat the

In an attempt to appeal to the increasingly nationalist mood of the disgruntled Russian electorate, both Communist and ultra-nationalist politicians, including Mr Gennady Zyuganov, the urbane Communist party leader, warned that Nato's plans to expand eastward could force Russia to reject the arms reduction deal in order about half their present level.

to maintain its great power status. But the US, which fears an even stronger anti-western shift in Russia after the presidential vote, has increased political and diplomatic pressure on the Yeltsin administration to secure approval for the treaty this spring. Some observers believe that rejection of Start 2 in Russia could also have an impact on presidential elections this year in the US because of the

When it was signed in 1993, Start 2 was halled as a historic breakthrough in efforts to cut the world's nuclear arsenals. It obliges both states to cut their strategic nuclear stockpiles to between 3,000 and 3,500 weapons each,

strong support the Clinton administra-

tion has given Mr Yeltsin from the out-

## EU patent licensing reform shelved

licensing of patents in the EU. Following fierce opposition from European industry, Mr Karel Van Miert, commissioner for competition policy, was forced to drop proposals that would have barred companies with more than a 40 per cent share of a market from taking advantage of exemptions from competition rules for technology licensing agreements. Instead the Commission limited itself to streamlining the rules governing how companies reach exclusive licensing agreements to protect their patent rights or technical know-how in technology licen-

Mr Van Miert said the thrust of the reforms was to "simplify things" by rolling together two sets of rules - those covering licensing block exemptions for patents and those covering know-how - to create a new technology transfer block EU officials said the changes

for companies as most licence

agreements contained elements of both know-how and patents.

European industry represenlimit." said Mr Alec Burnside. a partner at the law firm Link-

laters & Paines in Brussels. more than 40 per cent of a mar-

so although the Commission, if made aware, will pay special attention to agreements between companies which hold more than 40 per cent of the market. If the Commission decides an agreement has led to "complete distortion of competition", it can withdraw the benefits of the block exemption. This would involve the Commission scrutinising, and possibly prohibiting, the deal.

Mr Van Miert stressed that the question of market share would be considered as an "element in the assessment of an agreement. The fact that a company has 40 per cent marmean the Commission will outsiders.

exempt

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exemption regulation. would reduce regulatory costs

tatives welcomed the announcement. "Everyone is pleased that the regime has been streamlined and made more user friendly. But the Commission risked undoing all the good that has been achieved for industry by attempting to impose an unworkable market share

The Commission had proposed that companies with ket would be obliged to notify the Commission of licensing

They will not now have to do

reach a negative decision," he The block exemption sets out a "white list" of provisions companies can include in their agreements without falling foul of the competition rules, and a "black list" of conditions which are not allowed. Provided an agreement contains no blacklisted conditions, a company can assume it is

The Commission's original proposal emerged because of fears block exemption had enabled big business to monopolise the market in certain products and prevented ket share will not in itself. access to new technology by

## Bildt plays midwife at rebirth of nation

By Lionel Barber in Brussels

A month after taking on one of the toughest jobs in interna-tional diplomacy, Mr Carl Bildt, the civilian co-ordinator in Bosnia, is up and running. He has offices, phones, a

team in place in Brussels and Sarajevo, and, most important, money. This is progress. In the New Year, Mr Bildt was so strapped for cash that he with drew DM300,000 (\$200,000) from a European Union account in Brussels, stuffed it in a suitcase, and spent it in Sarajevo setting up shop.

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The contrast with Nato's smooth deployment of the Ifor peacekeeping force prompted US criticism that Mr Bildt had made a sluggish start. But now that the Nato-led military operation is virtually in place and the former warring parties in Bosnia are broadly complying with the provisions of the Dayton peace accords, Mr Bildt is coming into his own

His job - reporting to nearly a dozen international agencies including the EU and the United Nations – is to "implement" the peace. He must oversee tasks such as policing. humanitarian aid, and reconstruction. Above all, he must prod Serbs, Croats and Bosnian Moslems toward rebuilding a shrunken nation ripped apart on ethnic lines in the worst war in Europe since 1945.

"The military side in Bosnia

during an interview this week in Brussels. "Economic development is the key to political

This week, he told EU foreign ministers that the difference between success and failure in Bosnia would be clear by the end of the year. By that time, elections should have taken place and the joint political institutions should be operating independently of Ifor (which is due to withdraw after

one year anyway). Unless the joint political institutions were in place, said Mr Bildt, there was little chance of solving the country's horrendous economic problems or ending a situation where more than three in four people depended on foreign food aid. It was a typically robust per-

formance. A former prime min-ister of Sweden, Mr Bildt, 46, has a touch of youthful brashness as well as a first-class brain. These qualities have sometimes grated, notably with Mr Hans van den Broek, the EU commissioner for external political affairs, who views Bosnia as his priority. In his interview, Mr Bildt

made clear that he sees economic reconstruction driving political reconciliation. His worry is that "the wheels are turning too slowly". The World Bank, co-leader with the EU on reconstruction, is favouring projects in Bosnian is of critical importance, but it Moslem territories to the exclu-

is not decisive," said Mr Bildt sion of the Republika Srbska. Bank officials argue that their work has been hampered

by lack of access to the Bosnian Serb territories. But Mr Bildt says that now there is freedom of movement on the Serb side, "visible" projects are needed to encourage the forces of moderation in the autumn elections. He believes free elections

will help resolve vexed issues such as war crimes, "Radovan Karadzic [the Bosnian Serb leader] is not going to turn himself over voluntarily. You need to change the political Mr Bildt is alert to charges

that he may be tilting too far toward the Bosnian Serbs in his search for political reconciliation. Therefore, he intends to produce a far-reaching assessment of human rights at next June's international peace implementation conference under the chairmanship of Italy, which currently holds the EU presidency. He also wants the Union -

which is expected to stump up more than a quarter of the estimated Ecu4bn (\$5bn) for Bosnian reconstruction - to take the lead in promoting regional co-operation between the Bos-nian Federation, Croatia. Serbia, the Republika Srbska, and other former Yugoslav

Once again he is walking through a political minefield: the US is adamant that assis-



Mr Carl Bildt pictured last autumn in Sarajevo at the height of his mediation effort

tance must be tied to human rights and retribution against war criminals. Mr van den Broek and the European Commission stress that each republic should be treated on its individual merits.

Mr Bildt is clear that much is riding on Bosnia, not just for the EU but also for the transatlantic alliance.

This is an example of US and Europe working together. When they did not co-operate in 1993 and 1994, it had a negative impact on negotiations to end the war. When they started to sing the same song in 1995, the situation changed." Hence his message to Washington to stay the course and not to focus solely on an "exit strategy" in a presidential elec-tion year. "We need the Americans involved, politically

and economically." Yet he agrees that the Bosnia operation has limits, "We are not going to be involved at this high level for more than a year. In the end, we have to say to the parties that it is your peace, your future. And the clock is running."

## Scalfaro gives party leaders time to reflect

By Robert Graham in Rome

President Oscar Luigi Scalfaro yesterday delayed a decision on resolving Italy's three-week government crisis in order to give political leaders a final 24 hours of reflection.

He appeared to be hoping that sufficient consensus could be found on a formula to proceed with constitutional reforms, including reinforcing the prime minister's role.

Throughout the day there were conflicting signals on the possibility of an agreement that would require a government to last at least 18 months in order to overhaul the consti-

Members of Forza Italia, the rightwing movement headed by former premier Silvio Berlusconi, were optimistic agreement could be reached. They also indicated their allies in the rightwing National Alliance had accepted a compromise over the new powers to be accorded the prime minister and head of state.

Mr Massimo D'Alema, leader of the Party of the Democratic Left, and the dominant figure in the centre-left coalition backing the outgoing premier, Mr Lamberto Dini, said progress had been made. But he warned that the Berlusconi camp was still divided on who should be the next prime minister and the precise nature of

President Scalfaro yesterday wound up two days of consul tations - the third round since Mr Dini was forced to resign on January 12 after he completed his limited mandate. He has three basic paths

open to him: • to conclude that an agreement between the parties is impossible and call elections in mid-April:

 to appoint a prime minister to manage a government until June, to handle Italy's EU presidency and prepare the 1997

 to ask someone to consider heading a government to draw up institutional reforms and manage the economy with a view to elections in mid-1997.

The president is extremely reluctant to dissolve parlia-ment and most political leaders are anxious to avoid elections this year. This may prompt him to ask Mr Dini or a prominent political figure such as Mr Giuliano Amato, a former premier, or Mr Carlo Scognamiglio, the Senate speaker, to explore further the chances of forming a more lasting govern-

Cautious political commentators pointed out that negotiations have proved so tortuous over the past 20 days that any deal risks coming undone quickly. This in the end may force President Scalfaro to conclude the best solution is to opt

## Clamour to start at bottom of EU

By Hugh Camegy in Stockholm

Indignation over revelations that a European Union official in Helsinki was paid more than the prime minister has prompted Finland to question the level of EU salaries with its Union partners.

Finland's finance ministry said yesterday it wanted a discussion about the pay and allowances for EU employees when talks begin this month on the Union's 1997 budget. "Our idea is not as such to

bring about lower pay," said Mr Vesa Rantala, the finance ministry official charged with investigating the issue. "Our basic concern, like other countries, is to achieve maximum cost efficiency in the EU. But it might in the longer term mean that these (EU) pay levels will adjust more in line with national pay levels."

Mr Rantala said bis department's research showed that EU officials received two to three times more in net remuneration than their Finnish counterparts.

The Finns are set to receive enthusiastic backing from the neighbouring Sweden. The issue is a potent weapon for the anti-EU camp in the two new EU members, especially in Sweden, where opinion polls show a majority of the electorate hostile to membership.

The flerce debate erupted when it emerged recently that a Finnish journalist hired to be the information officer at the EU delegation office in Helsinki was paid some \$3,000 per month more after tax than Prime Minister Paavo Lippo-

Mr liro Viinanen, then the finance minister, denounced the difference as unacceptable. Mr Viinanen later resigned after five years as finance minister to join the private sector as chief executive of the insurance group Pohiola.

According to the Finnish media, EU salaries are so attractive that 700 Finns applied recently for a caretaker vacancy advertised by the

## Denmark urged to tackle Commission over feta decision

By Hilary Barnes in Copenhagen

A European Commission proposal to stop Denmark selling soft white cheese as feta would be "bound to have an influence" on prices in the dairy sector throughout Europe. according to the Danish dairy indus-

try.
The Commission proposal that feta be defined exclusively as sheep's milk cheese made in Greece would force the Danish industry to dump cheese it currently exports as anative market for the product more

and the commence of the commen

feta on to the European market. or less overnight. It would be bound said Mr Hans Arne Christiansen, an official of the country's Dairy

If the EU commission proposal was implemented, these EU export subsidies for Danish feta would cease. Mr Christiansen said the consequent rise in the price in Iran, Saudi Arabia and other Middle Eastern countries would cause the Danish market for feta to collapse. "We would have to find an alter-

to have an influence on the price level throughout Europe," he said. Denmark is responsible for about

six per cent of Ruropean Union cheese production - it made about 290,000 tonnes last year of which about 260,000 tonnes a year was exported. About a quarter of Denmark's output - about 74,000 tonnes was feta, almost all of which was exported. Nearly half of Denmark's exports, including about 65,000 tonnes of feta, is exported to non-EU

countries, with the support of sub-stantial EU export subsidies. Commission officials argue that the Danes can still export their feta

under another name. But the Danes say there is a secand EU threat to their feta exports the commission has proposed, under food additive rules, to ban the use of a bleaching agent, Patent Blue, with effect from July 1. Without this agent, Danish cow's milk feta will be yellow, instead of white, the natural colour of Greek feta.

The Dairy Board doubts whether consumers would buy yellow feta, sold under a new name as readily. The industry is in talks with the commission to find a solution. Danish feta production has fallen from a peak level of about 120,000 tonnes a vear as export markets - notably Iran - have weakened.

Producers have diversified into other milk products without upsetting the European market, but Mr Christiansen said this happened over several years and could not be compared with the problems that an overnight stop to exports of large quantities of feta outside the EU would cause. The Dairy Board is urging the

Danish government to take legal action to stop the Commission implementing its decision, or to have the decision declared null and void, on the grounds that the decision is in conflict with the 1992 Council resolution laying down European law on geographic name protection.

**NEWS: INTERNATIONAL** 

## Global fund managers make tracks for Africa

The 'final frontier' of the world's emerging markets is producing dramatic returns, writes Jeffrey Gettleman

s Marianne Hay is so bullish about Africa that she has invested a third of her personal savings

in African markets. The region has just finished making the necessary changes that other emerging markets underwent years ago," said Ms Hay, manager of the \$250m Morgan Stanley Africa Invest-ment Fund, the largest specialist fund on the continent.

Africa, usually associated with debt, disease and disaster. is now earning itself a name for healthy returns for foreign investors. Over the past 12 months, investors in the continent's emerging markets have seen their outlays grow by 40 per cent.

Africa is considered the final frontier of the world's emerging markets. In 1993, only 4 per cent of emerging market port-folios flowed to the region. But after South Africa's transition to democracy in April 1994, and a wave of market reforms in many neighbouring countries, Africa's investment climate is becoming much more hospita-

To ay fund managers, eager to diversify their portfolios and aware of the shrinking gains from more mature emerging markets, are attracted to Africa. More money flowing to the region has increased activity on the region's bourses and improved local business practices. "The presence of Africa funds means big chunks of money are out there which provide incentives for privatisation and put pressure on governments to improve their policies," said Mr Kader Allaoua, senior economist at the Inter-national Finance Corporation in Washington, the private sec-

tor arm of the World Bank. Within the past two years, 12 institutions have formed Africa funds worth nearly \$1bn. Last November, Baring Asset Management, Framlington and GT Management all launched funds in London. Most of the funds are close-ended, listed on stock exchanges in London and New York and aimed at large institutions which can bear the high risk usually associated with emerging markets. How-ever, a few of the unlisted funds, such as the \$9m Credit Suisse South Africa Fund, offer individuals a chance to invest as little as \$1,600.

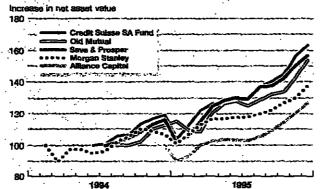
On average Pan Africa funds have at least 30 per cent of their investments in markets outside of South Africa and a number of funds such as the \$40m Framlington West Africa Growth Fund have been launched to invest exclusively in the region's smaller mar-

According to Mr Miles Morland of Blakeney Management which specialises in research on Africa and the Middle East, the first wave of Africa funds created in early 1994 concentrated heavily on South Africa. But this had changed recently and the split was now 65/35 in favour of other African mar-

He believes South Africa's share will continue to decline over the next two years as interest in other African markets continues to grow.

While many of the world's

Top five performing Africa funds Increase in net asset value



queasy in 1995 from the so-called tequila effect of Mexico's financial crisis in December 1994, fund managers point out that African markets surged, with gains exceeding 100 per cent in dollar terms in Nigeria and Ivory Coast.

Until recently, the majority of Africa's 16 stock markets while many of the largest companies were governmentcontrolled. But at the same time as foreign investment restrictions were abolished over the last three years, hundreds of state-owned enterprises were privatised. That allowed foreign investors to snap up stakes in African companies at attractive prices.

This year will be another big year for new issues: Kenya Airways, the largest airline in East Africa, is scheduled to have a public listing in April following a deal signed with emerging markets were still KLM last week; and Zambia

Consolidated Copper Mines, one of the world's largest copper producers, is intended to be privatised later in the year. "African governments are beginning to realise that equity

can be a great way to raise money," said Mr John Niepold, manager of the Washingtonbased \$65m Africa Emerging Market Fund. "The region is finally starting to follow the rest of the world, and investment attitudes are changing.' Fund managers like Mr Niepold are not only banking on this change, they are helping ensure that it happens. The absence of custody used to be the biggest impediment for foreign investment in Africa: the Securities and Exchange Com-

todial banks like State Street of Boston to safe-keep certificates of ownership for overseas equity settlements. "We've pushed custodial

mission requires managers of

US-registered funds to use cus-

banks very hard, and because of us, there's now custody in all African markets," said Mr Niepold. Africa funds have also helped improve liquidity in markets attractive to fund managers such as Botswana. Ivory Coast, Mauritius and Zimbabwe. In Harare the volume of trading has increased by 400 per cent since the bourse opened to foreigners in June 1993. Today Africa funds account for 60 per cent of the \$63m of net foreign investment, according to information from consultancy Fund Research and the Zimbabwe stock exchange, "Because they don't hold on to stocks as long as locals, fund managers are making this market much more liquid," said Mr Savvas Kyriakides, a Harare stockbroker.

The presence of foreign funds is reinvigorating not only African finance but also African business, "Fund managers demand up-to-date, accurate corporate reporting and as a result, disclosure has been rapidly improving," said Christopher Hartland-Peel, a London-based specialist on African markets.

Local brokers, who previ-ously provided little or no market analysis, are also reforming the way they do business, said Mr Kofi Bucknor, executive director for Africa at Lehman Brothers, the US investment bank. "African brokers are becoming a much more professional community, providing us with useful research," he said.

The impact of Africa funds is not limited to the private sector: government macroeconomic policy in Africa seems to be yielding to the influence of foreign investment.

"The presence of Africa funds is helping increase the pressure on African governments to produce sound eco-nomic policies," said Mr Kader Allaoua, an IFC economist. However, volatile exchange rates and rising inflation remain concerns.

Foreign funds of \$1bn cannot be expected to cure Africa's financial ills, and reform must continue, said Mr Michael Power, Barings' global strate-gist. "Political instability, exchange rates and illiquid markets are still big risks for foreigners," he says. Zimpapers, Zimbabwe's

national newspaper publisher, is an example of that illiquidity. Its value increased by 141 per cent in 1995. Because of the lack of share activity, however, an investor would be unlikely to be able to purchase more than 200,000 shares, worth less than \$100,000, without driving the price up. And then he might well be unable to sell the shares for months, according one local broker.

"The pickings are lean," said Dr Mark Mobius, who manages \$7bn of worldwide funds for Templeton, and recently returned from a bargainhunting trip to the continent. "But all the signs of reform have been encouraging, and now's a good time to look for deals in African markets." Mr William Murungu, of Dis-

count Securities in Nairobi. agrees, "If foreigners come today. I can't see them making losses here."

INTERNATIONAL NEWS DIGEST



## Lebanon tries to curb deficit

(\$4.15bn) 1996 budget after a stormy five-day debate in which deputies heavily criticised the government of Prime Minister Rafik al-Hariri, above. Two ministers walked out in anger on the final day and a prominent opposition deputy wrote out his resignation, handed it to the Speaker and stormed out as accusations flew across the chamber and tempers frayed.

The government described the 1996 budget as a serious attempt to reduce spending, curb the ballooning public debt and put public finances in order. It sets 1996 income at L&A,022bn, 28 per cent up on 1995, and expenditure at 15 per cent above last year's figure.

The budget includes a 38 per cent deficit of income against expenditure compared with a planned 44 per cent shortfall last year, which the government exceeded. Deputies called the plan optimistic and doubted that the government could hold the deficit to 38 per cent. According to

financial sources the final 1995 deficit was around 47 per cent. The 1994 deficit reached 57 per cent after parliament approved 43 per cent. Some economists have expressed concern about inflation and currency stability if heavy deficits

## Tajik rebels launch big attack

Rebels in Tajikstan supporting an Islamic opposition launched a large-scale attack yesterday against government troops, the defence ministry said. The attack in the former Soviet republic took place as talks were under way between the Tajik government and opposition to end their bloody conflict.

The rebels, supporters of Moslem and democratic groups, were defeated in a vicious 1992 civil war and many fled south to neighbouring Afghanistan. They now wage cross-border raids aimed at destabilising the government of President Emomali Rakhmonov. Mr Rakhmonov is backed by Moscow and propped up by thousands of Russian troops stationed along the border with Afghanistan.

In Moscow, President Boris Yeltsin said that Russian soldiers would not engage in combat operations in Tajikistan. He said they would help guard military facilities and the border. Mr Yeltsin claimed to be responding to reports that visits to Tajikistan over the weekend by his defence minister, foreign minister and top security officials indicated Russian forces were preparing for "large-scale" combat in the Central

## IMF deal closer as Kenya acts on port corruption The investigation was spending and the need to including Britain, are expected in clearing goods through cus-

By Michael Holman, Africa Editor

Prospects for an end to the three-year stalemate in relations between Kenya and the International Monetary Fund rose yesterday with the appointment of a respected businessman as chairman of the troubled Kenya Ports

Authority. The government's failure to tackle corruption at the port has been one of the obstacles to agreement on a \$200m IMF enhanced structural adjust-

ment facility for Kenya. The choice of Mr Robert Breneissen, a former managing director of the Bamburi Portland Cement Company, was seen as further evidence that the government has taken seriously widespread complaints about mismanagement at

Mombasa's port. The authorities recently forced the port's managing director and 17 senior civil servants to go on leave to permit investigations of corruption.

prompted by the disappearance of more than 1,200 vehicles impounded by Customs prior to a public auction, and estimated to have cost Kenya Ks7.5bn (\$130m) last year.

Although the chief executive of the Ports Authority is the managing director, Mr Breneissen could nevertheless wield considerable power, having been appointed by President Daniel arap Moi.

IMF's concern at levels of state

increase government revenue, are thought to have been brought close to resolution following nearly two weeks of talks with a visiting IMF team. The Kenyan cabinet is expected to discuss IMF proposals in

the next few days, and an official announcement on the outcome could be issued by mid-February, say officials. If agreement is reached with the Fund, the World Bank will Other issues, including the release more assistance, and

leading bilateral donors,

to resume programme aid. remain sceptical about govern-

ment intentions, doubting that the latest anti-corruption measures will be followed through. Mombasa is the largest port on the Indian Ocean's African coast north of Durban, South Africa, and serves Uganda, Tanzania, Burundi, Rwanda

and north-eastern Zaire. Port users complain not only of corruption, but delays in loading or unloading ships and

toms. Users outside Kenya Opposition politicians have threatened to switch to Dar es Salaam in Tanzania. Local port users welcomed Mr Breneissen's appointment and hoped it would lead to increased efficiency.

"Congestion has been the

main problem at the port and when you have that, people are going to seek favours and corruption is a favour," said Mr Gershon Konditi, deputy executive director of the Federation

## **Battered Democrats** win Oregon

By Jurek Martin in Washington

Oregon is to have its first Democratic US senator in 29 years with the election of Congressman Ron Wyden to fill the remaining years in the term of Senator Bob Packwood. Mr Wyden, a 15-year member

of the House of Representatives, narrowly beat Mr Gordon Smith, a conservative agribusinessman and Republican state senator, by 48-47 per cent, with four minor candidates splitting the remainder of the

His victory, announced on Tuesday, is vital for a battered Democratic party as a launching pad for the national congressional campaigns later this year. It reduces the Republican najority in the Senate to 53-47. It also gives Democrats added hopes of capturing in November the second Oregon seat

who has announced his retirement. Mr Packwood was forced to resign last year over charges of sexual harassment and had nearly four years to run.

The contest was the first congressional election ever conducted by postal ballot, held over a three-week period, and it won a turn-out of about two-thirds of registered voters, very high by recent US stan-dards. This helped Mr Wyden, because registered Democrats outnumber Republicans in Oregon by 45-38 per cent. But the other central factor in his success appears to have been that over the last three weeks he dropped much of the negative advertising that had marked the beginning of both cam-paigns, appealing to many vot-ers fed up with a steady bar-rage of "slash and burn" radio and TV commercials.



Mr Wyden said afterwards that his state had sent out a national message that the Republican agenda in Congress was too extreme for most tastes. But whereas he had begun by painting Mr Smith as a clone of Mr Newt Gingrich. the House speaker, he increasingly emphasised the positive aspects of traditional Democratic policies on health, education and the environment.

His victory will come as

assurance to President Bill Clinton, who carried Oregon by nine points in 1992. But the president said yesterday he did not intend to align his own reelection campaign too closely with those of his party's con-gressional candidates. He thought an appeal to the country based on party loyalty alone "would probably be self-defeating." That implies recognition of the fact that

presidential coat-tails have

been short or non-existent in most recent elections, with Americans quite possibly pre-ferring a president of one party and a congress controlled by the other. But congressional Democrats

must take heart from Mr Wyden's victory, wafer-thin though it was. It builds on the slim evidence of last November's local elections in Virginia, Maine and Kentucky of a Republican tide on the ebb in the House.

slide and subsequently in several defections of conservative Democrats in Congress

The recapture of the Senate, however, remains a long shot in spite of a recent spate of Republican retirements, including Senators Hatfield, William Cohen of Maine and Nancy Kassebaum of Kansas. Some surveys suggest the bet-ter Democratic chance may lie

#### AMERICAN NEWS DIGEST

## Venezuela may lift forex curbs

Mr Luis Matos Azócar, Venezuela's finance minister, has told Congress the government is likely to remove foreign exchange controls on current transactions in May.

The lifting of controls, considered a necessary step in reaching a standby agreement with the International Monetary Fund, had been expected in the first quarter. A liberalisation of foreign exchange restrictions on capital account transactions, also in place since June 1994, would occur gradually after May, finance ministry officials said

Mr Matos also said the current fixed exchange rate would in May be replaced by a system in which the bolivar would float within a band established by the government. Some economists think this may increase inflationary pressures which are already strong following December's 41 per cent devaluation. January's inflation rate jumped to 13 per cent and while the government estimates this year's inflation to be 50 per cent, independent analysts say 90 per cent is more

 The government has announced the sale of its remaining 49 per cent state share in the telephone company, CANTV. An initial 35 per cent share to be sold before the end of the year aims to raise \$1.6bn.

#### US wholesale prices up 0.5%

US wholesale prices rose 0.5 per cent in December, the Labor Department said yesterday, matching November's rise as energy costs reversed declines of earlier months.

With the impact of often volatile food and energy prices removed, the closely watched core rate was much more benign, rising only 0.1 per cent following a 0.4 per cent increase in November. Energy prices were clearly the villain, jumping 3.3 per cent in December after falling for six months in a row. They fell 0.5 per cent in November. The department said the rise in energy was the largest since October 1990.

Petrol prices jumped 11.8 per cent and heating oil was up 11 per cent. Food prices rose only 0.1 per cent after increasing 1.2

#### Samper calls for fresh probe

Arch foes join hands in

Joint work involved mainly

technical staff, so while there may have been "emotional problems" stemming from

Kodak's accusations against

Fuji, co-operation on the APS

was of a limited nature and

largely unaffected by the trade dispute. For product develop-

ment and marketing, each

The project's membership

has raised criticism in the Jap-

anese press that it is virtually

involved hold a significant

share of the world film and

camera markets. Fuji and

Kodak together have about 80 per cent of the US and Japa-

This has raised fears that the

participants might choose to

trim production of conven-

tional film and cameras in

order to boost support for APS.

chance that 35mm will eventu-

ally disappear – Fuji would not disclose its own production

schedule. But it has no plans

to halt 35mm production and it

believes it is unlikely that cam-

era companies involved will stop making 35mm models.

consumer-friendly features, are

able to shoot in three picture

The new cameras, laden with

Fuji does not deny there is a

nese markets.

cartel. The companies

\$1bn camera launch

gle APS format.

said.

Kodak and Fuji seek to revive family market

Colombian president Ernesto Samper, facing mounting calls for his resignation, has called in Congress for the immediate reopening of an official inquiry into charges he accepted drug money to finance his 1994 election campaign. He said the investigation should resolve the crisis as quickly as possible. He said he would conduct his own defence. following the resignation of his lawyer. As he left Congress Senator Maria Izquierdo launched into a description of how she had collected over \$30,000 in cash from the campaign treasurer's house on Mr Samper's instructions, in the presence of a Cali cartel intermediary.

Sarita Kendall, Booot

formats. The new 24mm film

will be sold in enclosed car-

tridges which require no

threading, and can be merely

dropped directly into the new

Negatives are returned after

processing sealed in the car-

tridges, together with an "index" of easy-reference

thumbnail prints ready for

storage in specially designed

The film surface is magneti-

cally activated to store and

deliver data - ranging from

lighting conditions to date and

caption information - which

may be required by the proces-

Mr George Fisher, Kodak

chairman, in a ceremony last night hailed the new system as

a "milestone" comparable with

the introduction in 1900 of the

Kodak Brownie and more

recent successes such as the

The nine new Kodak APS

cameras due on sale in April

will be some 20 per cent

smaller and up to 20 per cent

more costly than comparable

35mm equipment. A single-use,

throw-away APS camera will

be included in the Kodak

range, but the cheapest multi-

use, "conventional" camera

using the new format will cost

about \$100.

Instamatic and colour film.

sor or camera user.

cameras.

## Fresh bands fail to push Brazil currency lower

By Jonathan Wheatley in São Paulo

The Brazilian Real held steady yesterday after the central bank paved the way for a possible greater

depreciation of the currency.

The bank announced late on Monday a 7 per cent adjustment in the band in which the currency is allowed to trade against the US dollar. But in a series of currency auctions the bank held yesterday morning, the dollar remained unchanged against the Real from Tuesday's close of R\$0.978. "The market has reacted very nicely," said the head of currency trading at a Brazilian bank. "There were some speculative attempts to test the central bank in early trading, but it acted quickly and markets are

As the dollar moved towards the ceiling of the old band over recent. weeks, speculation grew on financial markets that a change was coming. Mr Gustavo Franco, the central bank's director of international operations, said the bank decided to

alter the band before speculation over an impending change unsettled currency markets

He described the move as a continuation of existing policy. The bank has announced three alterations to its exchange rate bands since the Real was introduced in July 1994. After its introduction, the Real was trading at R\$0.86 against the dollar.

"Whether or not the Real passes through the psychological barrier of parity with the dollar depends on market forces," Mr Franco said. "The

central bank only determines the upper and lower limits." Nevertheauctions and adjusted periodically in s, Mr Franco conceded that the central bank monitors and regulates movements in exchange rates according to macro-economic indicators.

The central bank publishes upper

and lower limits for the dollar/Real exchange rate. The new band puts the rate between R\$0.97 and R\$1.06 to the dollar, the previous band was R\$0.91 to R\$0.99.

In practice, however, the dollar trades within "minibands" estab-

line with market pressures. Since the end of last week, the dollar has been trading in a miniband of R\$0.978 to

"We have no pre-set path for the exchange rate," Mr Franco said. "The central bank looks at a series of factors, including foreign trade and the balance of payments." The strength of the Real has caused problems for exporters; last year, Brazil recorded its first trade deficit since 1980.

> By Christopher Parkes in Los Angeles and Michiyo Nakamoto in Tokyo

Eastman Kodak of the US has linked with arch foe Fuji Photo

Film of Japan to launch the

consumer photography indus-

try's latest attempt to revive

the slow-growing family snap-

The 'advanced photographic

of the advantages of conven-tional 35mm photography with

the benefits of digital cameras.

gamble – unofficially ticketed

at more than \$1bn - that the

action against anti-competitive

measures allegedly used by

Fuji to dominate its domestic

market for film. Full has vigor-

ously denied Kodak's allega-

Fuji said that joint develop-

ment of the new technology

over the past five years, was

The venture represents a

## FT-JAPAN CLUB ANNUAL REPORT SERVICE

#### **BANK OF TOKYO**



The Bank of Tokyo Group, Japan's premier global financial institution, has more than a century of international experience and more than 400 offices subsidiaries, branches and associated institutions

In the year ended March 31, 1995, the Bank posted the highest nonconsolidated net income of Japan's 14 major banks, and return on equity, at 4.8%, also ranked number one. In addition, the Group boasted a BIS capital adequacy ratio of 10.30%.

On April 1, 1996, the Bank of Tokyo and The Mitsubishi Bank, Limited, will merge to form the Bank of Tokyo-Mitsubishi, Ltd. The new bank, with superior bilities to offer a broad array of financial services worldwide, will be well positioned to handle the





Founded in 1951, the Chugoku Electric Power Co., Inc. is one of Japan's 10 regional electric power utilities and maintains its head office in Hiroshima. The Company is a comprehensive supplier of electric power in the Chagoka region, with services encompassing generation, on, and distribution of electricity.

Situated in western Japan, the Chugoku region has a population of approximately 8 million people and covers an area of about 32,000 square kilometers.

While maintaining a total commitment to supplying superior services to its customers, Chagoka Electric will continue working as a responsible corporate citizen to promote regional industrial development as well as cultural, sporting, and other community-related events.

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The corporate principal of Hirachi, Ltd., which was founded in 1910, is to contribute to society through technology. In the 86 years since its inception, the company has become one of the world's leading manufacturers of electrical and electronic equipment, with fiscal 1994 consolidated sales of ¥ 7,592 billion, 844 consolidated subsidiaries, 238 of which are overseas companies, and more than 330,000 employees. Hitachi believes that corporate progress is driven by research and development. Annual expenditure of R&D amounts to over ¥ 490 billion, or about 7% of sales. Hitachi's main



world brand leaders in the family camera business can persuade consumers to trade up and reduce the price-depress-ing influence of unbranded products are computers, semiconductors, telecommunication equipment, power generating equipment, industrial machinery and consumer products. Rinschi's shares are listed on eight stock exchanges in Japan and on exchanges in New York, Frankfurt. commodity film and camera In addition to Kodak and Fuji, the project includes Nikon Minolta, and Canon. Amsterdam, Paris and Luxembourg. Despite their collaboration on the project, Kodak has waged a campaign for US trade

#### PIONEER ELECTRONIC CORPORATION



Pioneer Electronic Corporation is one of the world's preeminent manufacturers of AV (audio/video) products for home, commercial and industrial use. To further extend its scope of operations, exemplified by its renowned laser disc players and car navigation systems, Pioneer is currently devoting its resources and expertise to the development of advanced equipment for the multimedia age. Products targeted for an early market entry - and offering tremendous future market potential - include the DVD and next-generation large-screen color plasma and ultra-thin organic electrolu

Pioneer's quest is to satisfy customers with innovative products that incorporate its core technologies in ways which are uniquely Pioneer.



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largest cosmetics companies, bringing a distinctive blend of science and aesthetics to its activities. Shiseido manufactures and markets quality makeup and skineare products, fragrances, tolleries, professional salon-use items, foods, and pharmaceuticals in more than

40 countries.
In Japan, the company also manages restaurants. fitness clubs, and fashion boutiques. In fiscal 1995, consolidated net sales reached US\$5,404 million, with consolidated net profits of US\$294 million before taxes. Net income per share was US\$0.29 and cash dividends were declared at US\$0.13 per share of common stock, on par with fiscal 1994.

For more information about Shiseido:

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☐ Steel bars (Round & Deformed bar) ☐ Irrigation pumps

☐ Electric generators

Eligible source countries are all countries and areas except the Lao People's Democratic Republic. Firms or companies who are interested in supplying product(s) as mentioned above should submit to JAPAN INTERNATIONAL COOPERATION SYSTEM (JICS) the following information as soon as possible: Name and address of firms or companies, name(s) of person(s) in charge, telephone and facsimile number. This information is acceptable BY FACSIMILE ONLY. By return, JICS will send a FORM OF APPLICATION by facsimile, which is to be filled out and sent back with the required documents (e.g. balance sheet and the statement of profit and loss in past 3 years, etc.) by registered mail, international courier service, etc. Only firms or companies who submit the FORM OF APPLICATION prior to pre-qualification (P/Q) will be registered. P/Q for each procurement will be held one by one in accordance with the contents of submitted FORM OF APPLICATION and will commeace after 3 weeks from this publication as soon as necessary preparation is arranged. Criteria of P/Q shall be determined by each procurement and shall depend on procurement conditions such as the items nature, scale, delivery period, etc.

It should be noted, however, that JICS is not committed to contact ALL firms or companies expressing interest after receiving the above mentioned form,

Invitations to tenders to qualified firms or companies will be issued at a later date.

Procurement Office for Non-Project Grant Aid, Grant Aid Management Dept.,

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lattur.

## Widescreens may improve IT mergers reach record levels outlook for TV market

Widescreen television should provide a sorely needed source of growth for the sluggish European television market this year, as sales of new PALplus standard sets take off.

The latest figures from the European Association of Consumer Electronics Manufacturers (EACEM) in Brussels suggest that 510,000 widescreen sets will be sold in the European Union this year. This is slightly more than the 500,000 units purchased in the five years since widescreen was

EACEM expects 200,000

experience more rapid growth with 180,000 units sold in 1996 against 75,000 last year. Some 40,000 widescreens will be sold this year in the UK, where there is very little PALplus programming, compared with

15,000 last year. As sales have risen, retail prices have fallen. It is now possible to buy a basic PALplus widescreen set for under £1,000 (\$1,500), only a few hundred pounds more than for expensive conventional mod-

Philips, the Dutch consumer EACEM expects 200.000 electronics company, expects widescreen sets to be sold in to see a dramatic increase in

steady sales growth in the early days of the VCR and compact disc markets," said Philips. "We think PALplus will catch on more quickly and sales will suddenly leap."

The PALplus phenomenon has stimulated the top end of the television market at a time when sales of cheaper sets are under intense pressure. Nokia of Finland announced

plans last month to cut 600 iobs in its consumer electronics division, mainly at its television plants in Turkey and Germany. Until recently the market for widescreens, which have unusually broad screens

France this year, against sales as more programming in a cinema-style 16:9 ratio, 110,000 in 1995. Germany will comes on stream. "We saw was restricted by the dearth of was restricted by the dearth of PALplus programming. The PALplus standard provides higher visual and audio quality than the long-established PAL format.

> The earliest widescreens did not have a PALplus facility, but those models can be converted to the new standard with the addition of a small decoding device.

Some 30,000 hours of PALplus programming, principally sport and films, will be broadcast in Europe this year, according to the Vision 1250 research consultancy, the same amount as in the previous

## continuation of PolyGram's

channel outside the UK. PolyGram will participate in

strategy of investing in music television. It already co-owns the VIVA music channels in Germany and recently invested in the relaunched MTV Asia.

Most of Poland's cable operators have agreed to carry Atomic TV as their only music channel for five years.

Global information

Mergers and acquisitions 1995

29%

21%

technology deals

Number of transactions

Value of transactions

Supporting products & services

Total: \$134bn

By Alan Çane

Mergers and acquisitions reached record levels in the worldwide information technology business last year as companies sought the size and technology to compete in global markets.

Some 2,913 deals were tracked by Broadview Associates, a US M&A consultancy, a 57 per cent advance on the 1,861 recorded in 1994. The total value of the deals was \$134bn, a 48 per cent increase on the 1994 figure of \$90.5bn.

Mr Charles Federman Broadview chairman, said: "This was another recordbreaking year for M&A in the IT sector with unprecedented activity across virtually every segment of the industry."

The telecommunications sec-tor saw the largest deals with 98 transactions worth \$20.1bn

They include the \$3.5bn acquisition of 49.99 per cent of Belgacom, the Belgian operator by a consortium of Ameritech, Singapore Telecom and TeleDenmark, and a \$2.7bn alliance between Cable & Wireless of the UK and Veba of Germany.

The most active sector was software and services, with 356 deals valued in total at £4.4bn.

the European market increas-

panies from abroad looking for nationally. Broadview points out that

ingly saw the acquisition of "national champions" by com-

critical mass to compete inter-ADP, for example, a large US

specialising in payroll processing, bought GSI, its French equivalent, for \$460m.

Content

Ceridian, which is second in payroll processing in the US, bought Centrefile computing services company Personnel & Payroll Services

**ARGENTARIA** 

from National Westminster Bank in the UK for \$52m.

The trend generated defensive transactions. Roccade and Getronics of the Netherlands jointly acquired the Dutch payroll processing market leader Raet, while Tietotehdas of Finland merged with the Finnish government computer centre VTKK-YHTYMA in a transac-

tion valued at \$113m. Broadview says that many acquisitions were driven by the pace of technological change. "Product development cycles now commonly exceed product life cycles," it says, "making it necessary to acquire new technologies to avoid missing the window of opportunity."

Companies with expertise in the Internet, the fast-growing international computer net work, proved particularly attractive. Unipalm Group of the UK, for example, was acquired by the US company UUNet Technologies.

Expertise in ISDN, the transmission technology which makes possible the information superhighway, was also a big attraction. Broadview counted 11 European ISDN specialists acquired by US companies seeking their experience.

Seventy per cent of Europe's top 20 transactions involved a huver from abroad; for all transactions worth more than \$20m, half the buyers were

## PolyGram in Polish TV venture

By Alice Rawsthorn

PolyGram, the world's largest record company, is launching a music cable channel in Poland together with Planet 24, the youth-oriented UK television company, and the owners of a Warsaw nightclub, Ground

The new channel. Atomic with Atomic Entertainment,

TV, will be broadcast in Polish from Warsaw and relayed on the cable television network, which covers 2m homes. It will feature videos by Polish and international acts, concerts. and youth-oriented lifestyle programming. Planet 24 staff will oversee launch of the channel from Warsaw, working

born music entrepreneurs who own Ground Zero. Atomic TV is Planet 24's first investment in a television

> the management of the chan-nel and supply videos. Artists on its roster include U2, Tricky, Elton John and the

## **Boost for rocket** sector in Russia and Ukraine

The US has agreed to open further its launch market to ex-Soviet rivals

By Nancy Dunne In Washington and Matthew Kaminski in Kiev

The US has agreed to open further its satellite launch market to Russian and Ukrainian companies despite fears that state subsidies could result in unfair competition.

Hoping to find peaceful uses for old military hardware and deepen commercial ties with erstwhile cold war enemies. Washington is giving Russia and Ukraine greater access.

As the US commercial rocket industry's global market share shrinks, domestic producers are worried that subsidised state-owned competitors will Inderprice them.

Some companies reacted with concern in December when the US extended to Ukraine, once an important rocket producer for the Soviet Union, the right over the next five years to bid for and win up to five launch contracts to send satellites into geosynchronous earth orbit, the most frequently used orbit for commercial satellites.

The Gore-Chernomyrdin Commission this week agreed that Russian services could provide up to 15 geosynchronous launches and held out the chance of more in the next two

With a bloated military industrial complex. Ukraine for years had sought access to the lucrative \$4bn US satellite industry. Each contract for a geosynchronous launch today runs to about \$100m, although an industry analyst said China charges less than former Soviet or western companies.

The US-Ukraine agreement, permitting an additional 11 launches through joint-veutures, sets strict contract con-ditions, including special US consultation when a Ukrainian bir alls more than 15 per cent below the market price. Similar deals struck earlier with Russia and China are designed to manage the market and pre-

vent underpricing.
The Virginia-based Orbital Sciences Corporation, which makes the Pegasus and Torus rockets, will not be directly affected by Ukraine's limited

But Ms Elina Puhrman, a company spokesman, said: "This sets a precedent. We want to make sure the agreement is enforced and that they offer fair market prices.

We are more concerned about Russia's negotiations,"

she added, "because they could open the more protected market for low earth satellite launches that make up the bulk of Orbital's business.

But the new companies from the east first must prove they can compete. Mr Terry Edwards, manager of Intelsat launch vehicle programme, said the consortium had not yet selected Russia for the nine satellites on order and scheduled for launch over the next three to four years. Ariane space won six; in fact, the European group has been the foreign competitor particularly successful in whittling away US companies' market share.

Mr Edwards dismissed the argument that companies emerging from non-market economies were unfair compe tition. "Fingerpointing, such as 'you're subsidised,' is not all that useful," he said. "If defined in a certain way, most companies have been subsi-

Ukraine's first contract came through an international jointventure, Sea Launch, led by Boeing. In December Hughes Space and Communications, the Los Angeles satellite maker, awarded Sea Launch a contract for at least 10 seabased launches.

NPO-Yuzhmash, formerly the biggest nuclear missile plant in the world and located in central Ukraine, will provide the Zenith rocket, which tested its first commercial satellite launch last August, according to a Ukrainian official. "The market is very favourable," he

Other members of Sea Launch are Kvaerner of Norway, a shipbuilding and engineering group whose facilities will be used, and the Russian space systems specialist, RSC-

Mr Mickey Kantor, the US trade representative, said such projects would generate several hundred jobs, and contribute to the conversion of idle military facilities. He said the diversification of launch services would allow the US satellite industry to maintain its world leadership.

The commercial pacts can serve a political purpose, too. A former US official said the trade representative, against some resistance from the commerce department, sought to reward Ukraine for giving up nuclear weapons, acceding to the nuclear Non-Proliferation Treaty and transferring its nuclear stockpile to Russia.

Net Income attributed to the Group (ESP. Millions) 382 Earnings per Share (Peseras) 260 161 Dividend per Share (Pesetas) 13,9 12.2 13.0 Ratio BIS Computable Equity Surplus (BIS) (ESP. Billions) 225 296 -11.913,3 Gross Total Assets (ESP, Trillions) 6.4 Customer Funds Under Management (ESP, Trillions) 6,6 Customers Loans (ESP. Trillions) 1,440 1.600Branches in Spain

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## Beijing keeps tight grip on money supply

China's central bank has

been under considerable pres-

sure from the state sector to loosen credit to help solve a

triangular debt problem - the

inability of enterprises to pay

each other for goods and ser-

vices - which is choking many

But fearing a resurgence of

inflation, the bank has fought

hard to resist such pressures

aided by a new central bank law which enshrines the pres-

ervation of a stable currency

and the anti-inflation fight as

Ma said a financial sector con-

ference in Beijing last month

had outlined four main tasks

for 1996, including no let-up in

the fight against inflation.
Other goals included improvements in credit man-

of an interbank market; an enhancement of the central

bank's prudential supervision

of financial institutions; and

improvements to the overall

efficiency of the financial sec-

tor. Efforts would be made to

liberalise further the financial

sector to allow foreign banks

to engage in local currency

husiness, but no timetable for

such a move had been decided.

barriers the difference in the

tax rate paid by foreign banks.

which operated under a low

tax regime, and local institu-

tions which were obliged to

pay high rates: "Foreign banks

should compete on a level

playing field with local banks."

Mr Ma cited as one of the

nent and the establishment

main responsibilities. Mr

By Tony Walker in Beijing

China will continue its tight money policies in 1996 aimed at further reducing inflation, but it would also engage in selective easing of credit to profitable enterprises, a central ank official said yesterday.

Mr Ma Delun of the People's Bank of China said the country planned to reduce growth in the broader M2 money supply to 25 per cent in 1996 compared with 29.5 per cent last year. M1 growth would remain much the same as 1995 at around 18

Although price increases had moderated in the past year, the foundation for a sustained reduction in inflation was shaky, he said. Pressure on money supply continued to be

great. China's inflation rate dropped to 14.8 per cent in 1995 compared with more than 20 per cent a year earlier. The target for this year is less than 10

Mr Ma indicated that the banking system would continue to squeeze unprofitable enterprises by restricting credit, but efficient companies would receive assistance. Those enterprises with large stockpiles and low profitability will feel a lack of funds," he

"On the other hand, enterprises with a sound performance will be assured of

China would raise credit for the year to the priority areas of Banks and tourist hotels damaged as Tamil 'Tiger' separatists aim at heart of Sri Lanka's economy

## Colombo business centre bomb kills 55

Central Bank

\$760m this year.

many of them showcase office

blocks and symbols of foreign

interest in the Sri Lankan

The Colombo branches of the

American Express Bank, ABN

Amro Bank, Banque Indosuez

and the Indian Overseas Bank

central bank building - were

all located in front of the

Suspected Tamil "Tiger" guerrillas yesterday carried out their deadliest attack yet against the Sri Lankan economy by bombing the financial district of the capital, Colombo, killing at least 55 people and wounding more than 1,400 including foreign tourists:

The army blamed separatist Liberation Tigers of Tamil Eelam (LTTE) for the spectacular suicide bombing of the Cen-tral Bank of Sri Lanka build-

An attacker in an explosiveladen truck, supported by three gunmen on foot, rammed the entrance to the central bank. Two of the gunmen were arrested and the third escaped. "This is a clear attempt to destroy the economy," a mili-tary spokesman said. "There

was no military target involved and all the victims were innocent office workers." The bombing was seen as a blow to Sri Lanka's efforts to woo tourists and much needed foreign capital. It may have

damped hopes of raising \$420m from the sale of state enter-prises in 1996. Most of the investment had been expected from foreign companies, which local businessmen said yesterday may now be less keen. Sri Lanka had been banking

on the ambitious privatisation programme to finance a budget deficit estimated at about 10 damaged by the blast. Mr A S Jayewardena, central bank governor, said vital documents were still intact

although part of the building collapsed. The central bank product and caused mainly by record defence expenditure of would shortly resume normal More than a dozen buildings functioning with the help of commercial banks, he added. in the district, called Colombo The multi-storeyed complex Fort, were in a shambles,

of a leading private insurance company, the Ceylinco, caught fire and firemen plucked office workers from the 13th floor. The main ticket office of Air-Lanka, the national airline, was also destroyed. Two lux-ury hotels in the neighbourhood had their windows shattered and many foreigners were among the 1,400 people

admitted to hospital. The impressive 37-storeyed headquarters of the Bank of



Ceylon, the premier state run commercial bank, also had its glass facade shattened. More than 400 cars were gotted.

Colombo's telephone network, which will be up for sale by mid-year and is badly in need of capital to expand, seized up as worrled people tried to call relatives.

The attack bore the trademark of the separatist Liberation Tigers of Tamil Eelam. which has been accused of previons kamikaze-style blasts in the capital. Last October, the LTTE shifted its attention to the main oil storage depot there, shortly after the government sold the country's gas distribution monopoly to Shell, the Anglo-Dutch oil group.

In November the LTTE carried out a suicide bombing outside the army headquarters in Colombo, killing 21 people, including an employee of a nearby tourist hotel.

The latest attack came despite a city-wide alert for possible LTTE attacks following the army's capture of the rebels' northern bastion of Jaffna after nearly 50 days of fighting that left an estimated 2,000 rebels and 500 government soldiers dead. The LTTE had vowed to seek revenge for the humiliating defeat.

vie for Thai bank licences

Groups

By Ted Bardacke in Bangkok

The Thai banking industry is set to face increasing competition as a host of local finance companies and foreign banks applied for new commercial

banking licences yesterday. On the domestic side at least five groups, mostly headed by non-bank finance companies. submitted applications for the first new full banking licences to be issued since 1966. Most of the groups vying for the up to five licences expected to be awarded by mid-year brought in important industrial companies as minority shareholders, a move analysts said carried both significant risks and potential rewards for the new institutions.

On the foreign side, more than 10 Asian and European banks which already operate offshore lending offices in Thailand applied to be upgraded into full branches. Between five and seven

of these applicants will be given permission to upgrade and join the 14 foreign banks who operate full branches in

Among those applying from Europe were Dresdner Bank, Banque Nationale de Paris and ING Bank. Asian banks applying included Bank of China. Korea Exchange Bank, Development Bank of Singapore and a plethora of Japanese banks including Sumitomo, Sanwa, Dai-Ichi Kangyo, Industrial Bank of Japan and Long-term Credit Bank of Japan. No US bank applied, leaving Bank of Nova Scotia the only North

American applicant. The strong turnout by foreign banks came despite a steep \$80m (£53m) initial capital requirement to open a branch, an amount at least four times higher than any

other country in the region.
"Yes, it's a lot of money but if you think Thailand is going to be a big market then you have to get a full branch," said one foreign banker. He added, however, that some applicants probably did not expect to win licences but applied anyway so as not to lose face with the Thai financial authorities.

Approx 25 is

The comparably lukewarm response for new domestic licences had more to do with onerous operating rules for the new institutions rather than the attractiveness of the banking sector, where both return growth for the existing 15 banks average more than 25

per cent annually. New banks must locate their headquarters outside Bangkok, have at least half their shares publicly held and have no cross-ownership ties with existing banks. Immediate paid-up capital is a hefty \$300m and salaries for experienced bankers are already skyrocket-

Domestic applicants included consortiums led by General Finance & Securities, First City Investment and the tele-communications company Ucom, Sitca Investment & Securities with Thai Petrochemical Industry and Prime Finance & Securities with contractor Italian-Thai Development and property developer

Quality Houses. The leading finance companies are generally considered middle-tier companies due to their lack of tie-ups with existing banks.

'You've got to be careful that these new banks don't become in-house lending agen-cies for their shareholders," try manager of the brokerage HG Asia.

"At the same it will help the banks to get some initial big

economic targets by combing

ASIA-PACIFIC NEWS DIGEST

## NZ credit rating raised

Standard & Poor's, the international credit rating agency. yesterday raised the long-term foreign currency rating of New Zealand to AA-plus from double A, citing the country's "prudent fiscal and monetary policies" for the move. New Zealand is now just one notch below the coveted triple-A

foreign currency rating which it lost in 1983.

The upgrade was welcomed in Wellington where the government was quick to point out that New Zealand now had a stronger credit rating than Australia which is rated double-A. "In the past, New Zealand has usually trailed Australia, and only rarely managed to achieve parity on credit ratings. It is a significant tribute to this country that we have now pulled ahead of them for the first time," said Mr Bill Birch, finance minister.

rival ratings agency which placed its double A2 rating on review for an upgrade on January 3. Antonia Shorpe, London

Vietnam-China rail link agreed China and Vietnam yesterday agreed on February 12 as the date for the restoration of the symbolic Hanoi-Beijing rail link, broken since a brief but bloody border war in 1979. Passengers will still not be able to travel between the Vietnamese and Chinese capitals without interruption because of a minor border dispute and differing Chinese and Vietnamese railway gauges. Trains from each side will have to stop a few hundred yards before the border, forcing passengers to walk a short distance over the disputed territory before boarding a train from the other side.

## Australian trade deficit eased

Australia's current account deficit eased in December following a surge in rural exports. The December deficit was A\$1.63bn (£800m), down almost 20 per cent on the November figure of A\$1.86bn. Analysts had been predicting a deficit above A\$2bn following a 5 per cent increase in imports, disclosed in mid-January. But this was more than offset by a 10 per cent rise in total exports to a record monthly level of

## Taiwan vice president to visit US

Mr Li Yuan-zu, Taiwanese vice president, will stop over in three US cities during visits to Haiti and El Salvador next month, a move stire to irritate rival China amid already tense relations. "Vice President Li will begin his trip on February 3 and transit in San Francisco and Miami to stay one night each." the foreign ministry said in a statement. He planned to break his return journey with a stop in Los Angeles.

A landmark private trip by Taiwan's President Lee Teng-hui to the US last June drove Beijing into a fury and has sharply soured bilateral relations since. Taiwan does not have

said Mr George Morgan, coun-

Economists blame fall on India's political turmoil

## Rupee at record low to \$

The Indian rupee slid to a record low of Rs38:47 to the dollar at yesteray's close in spite of intervention from the Reserve Bank of India, the central bank. Traders and economists blamed the fall largely on political uncertainty in the light of imminent elections and the country's recent political

The fall was from an overnight Rs36.13, and the extent of intervention was unclear. But intervention last month contributed to a fall in RBI foreign currency reserves from \$17.5hn at the end of December to \$16.8bn on January 19, the latest published figures.

Economists said intervention from the bank, which has made no comment on its polsmooth the currency's fluctuation rather than to underpin a floor in the rate. The rupee has depreciated

steadily from its previously consistent rate of Rs31.37 to the dollar since last August and, while the RBI has sporadically intervened, Indian officials last year made little secret of the fact that they did not see a rupee depreciation as undesirable, particularly in the light of the country's trade

Officials have pointed out that the depreciation late last year took the rupee close to its real effective exchange rate (REER) - the rate which reflects India's higher inflation relative to that of its main trading partners.

Factors depressing the rupee have included fast-rising import growth outstripping export sales, a fall in foreign

particularly in the past few weeks, the dollar's relative strength However, bankers and economists said yesterday that the slippage above Rs36 appeared to owe more to political jitters in the market than to economic factors. Most bankers and economists recken the rupee's REER to be closer to Rs35. "If there's been any change in recent fundamentals, it is political funda-mentals," said a western econ-

Dealers in Bombay said they expected the currency's volatility to persist for the next few weeks. India's general elections are barely three months away and the political system has been thrown into turnoil by recent charges laid against three ministers, the leader of the opposition and several other politicians



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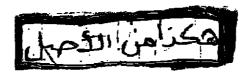
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Thursday February 1 1996



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#### IN BRIEF

bank

## Rhône-Poulenc in big disposal plan

Rhone-Poulenc, the French chemical group, announced disposals worth FFr10bn (\$2bn) over the next two years aimed at cutting its unwieldy debt and lifting its "inadequate" profitability. Operating income fell 10 per cent, to FFr6.2bn, on sales down 1.8 per cent at FFr84.8bn. Page 16

SAP's 43% rise disappoints market SAP, Germany's leading computer software house, announced a 43 per cent improvement in annual pre-tax profits to DM674m, but disappointed traders who had expected better. The ordinary shares slipped DM6 to DM222. Page 16

Lower tax charge aids Kimberly-Clark The first results from Kimberly-Clark, the US tissue maker, since its \$9.4bn takeover of Scott Paper, showed operating profits in the fourth quarter up only 3 per cent before special items, at \$352m, However, a sharply lower tax charge left net earnings up 32 per cent at \$255m. Page 18

Mariboro strength lifts Philip Morris 16.5% Strong sales of the company's flagship Marlboro cigarettes helped Philip Morris, the US tobacco and food group, post a 16.5 per cent jump in net profits to \$1.3bn in the fourth quarter. Page 18

Novell to sell WordPerfect for \$116m Novell, the US computer software company, has agreed to sell WordPerfect and other office application products to Corel, the Canadian graphics software company, in a deal valued at \$115.9m. Novell acquired WordPerfect, a developer of word processing programs, for \$1.4bn in 1994. Page 18

First Cuba venture vehicle set for launch The first venture capital vehicle for investors in Cuba is being launched this week. Beta Gran Caribe is an investment company to be listed on the Dublin stock exchange. Page 18

Write-offs to put Hokkaido Bank in red Hokkaido Bank, one of Japan's larger regional banks, said a big increase in planned write-offs of bad loans would force it to declare a loss for the year to the end of March of about Y39hn (\$364m), its first for nearly 50 years. Page 19

Philippine Airlines doubles its losses Philippine Airlines, the ailing national carrier, more than doubled its losses to 2.04bn pesos (\$77.9m) during the first nine months. Page 19

Elf and Enterprise end N Sea link One of the more complicated and unique corporate relationships in the North Sea oil industry came to an end when Elf, the French oil company, and Enterprise, the UK explorer, "reorganised" their loss-making Elf Enterprise Petroleum joint venture.

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## Chief price changes yesterday

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FRANKFURT	(DM)			<b>-</b>	570		27
Riess				BOC		+	
Aschen Mich Rg	1100	+	65	Carb Med	460	+	15.5
Bayer	445	+	10	Geophysique	234	+	28
Degussa	549	+	14	Falls			
Kariftol	487.5		17	Bacryau8s	517	-	15
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MEW YORK	5			Asies Corp	339	+	25
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Alex Brown	487.4 9874		3%		1300		60
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Rises	1405	+	45	JCS Hids	7.35	+	0.55
Daily Mail A	389		34	Peace HID	3.3	+	0.6
Oceany Sware	719	:	35	Vision Histor	13.3	+	0.7
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Fella		-		Hemaraj L&D	145.0	+	13.0
Gendelf Techs	16%	_	1%	Oriental	120.0	+	55.5
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Air Ligaide	922	÷	13	litin and			

## Head of Crédit Foncier replaced

Hanson

parries

catcalls

meeting

By Clay Harris in London

Lord Hanson had his next-to-last

hurrah yesterday, and for a while it looked as if he might

welcome an earlier retirement.

On the London stock market,

Hanson's shares fell 8%p to

202%p as doubts emerged about

the industrial conglomerate's

plan, announced on Tuesday, to

Elsewhere in London, the

chairman had enough trouble

keeping order at a rowdy annual

On the demerger, Lord Hanson told shareholders: "I can't elabo-

rate on detail and actually

there's much more work ahead

which may take up to a year to

complete."

Of press coverage, he said:

"I'm not sure I like my descrip-

tion as a dinosaur, but then I

thought Jurassic Park was a

smash hit and that starred dino-

saurs, and we certainly have a

What he had on his hands.

without doubt, was a flood of

interruptions. Lord Hanson, who

catcalls with the flair of a 74-

year-old trouper, tersely and

without ambiguity. Some share-holders among the 2,000 at the

meeting lent him support with a

slow handclap for untimely

interventions and shouts of

"throw him out!" It came to that

for one of them, hauled out by

security men soon after he yelled

"don't import your violence from

He introduced Roger Moore, who stars in Hanson's new ad, a

007 spoof. The actor quipped: "Can I ask a question?"

Question time, when it came,

was heavily scripted. The com-pany chose questions from those

sent in by shareholders and

selected the people to pose them.

Lord Hanson read his prepared answers from an autocue.
Defending the company's

£100,000 annual contribution to

the Conservative party, Lord

Hanson said: "Whoever wins the next election, Conservative prin-

Now we know why the press

calls you a dinosaur," yelled one of his tormentors, "because you've just exhibited your bron-

tosaurus tendencies – little brain

and large body." Lord Hanson

After the meeting, security guards shielded Lord Hanson from additional questions.

Unlike previous years, he did not join fellow directors to mingle

with shareholders.

ciples must be kept alive."

the states to this country".

smash hit on our bands."

meeting disrupted by hecklers.

split itself into four parts.

at rowdy

The French government yesterday announced the abrupt replacement of the head of Crédit Foncier de France, the troubled financial institution that specialises

in property lending.

The council of ministers said that Mr Jerôme Meyssonnier, head of Banque La Hênin, part of the quoted Suez group. would become the new chairman or "gov-

existing governor, did not resign yesterday, in a gesture believed to reflect his frustration with the decision to remove him from office.

Crédit Foncier has a peculiar legal status as a specialised financial institution Governor of property lender refuses to resign after government appoints Suez man

Pampered pooches

rather than a bank. It is a quoted company in which the French state has no shares, but has the power to nominate the governor and the two deputy governors. News of the change helped lift the group's share price 4.2 per cent to close at FF770, after it had fallen by two-thirds in

the past year as its troubles mounted. Government sources said the decision to change the governorship was not a sanction against Mr Colli, but reflected the

Last September, it reported net profits of just FFr12m for the first six months of 1995, and unveiled plans to merge with an associated company that would have recapitalised it with FFr1bn. But the plan was relected and it negotiated an emergency line of credit from the Caisse des

Crédit Foncier was hit last autumn when the French government announced the abolition of the PAP, a low-income

Dépôts, the state financial institution, this

ket, which is likely to lead to substantial

new provisions in its full-year results.

Mr Colli was appointed governor in late 1994, having been a deputy governor since 1986 when he held responsibility for Fon-cier's loans. He spent the past few months attempting to negotiate a restructuring package to cut operating costs by 30-40 per cent over the next three years, reduce staff and find alternative types of loans into which to diversify.

Mr Meyssonnier has spent most of his working life at La Hénin, which specialises in property lending, and which itself has cleaned up its portfolio during the past few months. It reported profits of FFr12m for the first half of 1995, and had assets of FFr46hn in 1994

Ford Motor warned yesterday that the cost of launching models in the US and Europe would lead to weaker earnings in the first six months of 1996, as it reported that its core automotive operations had barely managed to break even in the final three months of last year. Mr Alex Trotman, chairman of

the US's second biggest automotive manufacturer, said profits would continue to be held back in the coming months by the launch of models which accounts for about 35 per cent of Ford's vehicle sales. He predicted that earnings would begin to pick up in the second half of the year, confirming expectations that the company would report lower year-on-year profits in the next two quarters.

Overall, thanks to record earnings from its financial services businesses, Ford's after-tax profits in 1995 reached \$4.1bn, down only 22 per cent from the year before.

About \$2.1bn of the group's post-tax earnings came from financial businesses which range from car leasing to consumer lending. That made Ford's financial arm among the most profitable in the US, topping the 1995 earnings of American Express and Merrill Lynch.

Ford is reviewing whether to dispose of its financial businesses other than those involved in vehicle financing. Of these, The Associates, a consumer finance business, earned net income of \$708m last year, and USL Capital, a leasing operation. made \$135m,

In the final quarter, Ford reported net income of \$660m, or 49 cents a share, compared with \$1.6bn, or \$1.47, the year before. All but \$16m of this came from its financial services operations. Its US automotive operations

recorded quarterly profits of \$168m, down from \$745m a year before, while its international businesses lost \$152m, compared Besides the costs associated with new models, the results

reflected tough trading conditions in the US and Europe, adverse foreign currency shifts and losses in Mexico and Brazil. Like its rivals, Ford's earnings were hit by plummeting US car demand. Last year, it sold nearly 1.8m cars, 13 per cent fewer than 1994, while light truck sales rose

2 per cent to 2.2m. Agnelli warning, Page 16; GM rediscovers brand, Page 18

ernor" with immediate effect.

However, Mr Jean-Claude Colli, the

need to put in charge someone with experience of the property market when the group was undergoing restructuring. housing loan scheme on which it largely depended. It has also suffered as a result

## Pet supplies chain is one of the US's top growth stocks, writes Christopher Parkes Paws and claws in the fight for sales

oses are twitching expec-tantly in Europe's finan-cial centres in anticipation of the arrival of Mr Mark Hansen, president and chief exec-utive of PetsMart, the latest "category killer" to emerge from the US retail industry.

In turn, Mr Hansen, 41, whose success in selling pet supplies through 25,000 sq ft superstores has raised the hackles of grocery retailers, veterinary surgeons, wholesalers and pet shop owners, will be putting his own olfactory equipment to use sniffing out new territories.

Although far from finished in the US, where PetsMart has opened 260 stores out of a targeted 975, the group is poised to move into Canada this year. In 1997, Mr Hansen hopes, the first European stores will open in either Britain or France.

The debate on where the landing takes place may be testy: two of PetsMart's eight boardroom seats are filled by Mr Denis Def-forey, retired chairmen of France's Carrefour retailing group, and Mr Philip Francis, Shaw's Supermarkets, a subsidiary of Britain's J. Sainsbury

retail group.

A UK opening may be preferred because the British tend to coddle their pets with more highmargin commercial food, although France may have an edge by virtue of Carrefour's stake of almost 20 per cent in PetsMart.

First, Mr Hansen plans to regale Europe's investment com-munity with what analysts expect to be a sound set of 1995 results. The centrepiece will be \$1bn turnover, achieved in the concern's sixth year of operations. Some analysts suggest net earnings may reach 50 cents a share, up from 28 cents. The speedy expansion programme has meant no dividend payments so far, although that has not deterred the likes of Fidelity Investments, PetsMart's biggest institutional backer, or one large private investor, Mr Paul Allen, co-founder of Micro-

On Mr Hansen's last roadshow visit in 1993, in advance of Pets-Mart's initial public offering, sales were \$370m from 136 stores. Since then, each year PetsMart has featured in the top ranking growth stocks in the US.

flashed: "Getting pretty close to it, aren't you? Fancy a bit of fresh air?" Innovation and availability of a wider product range, coupled with the explosive growth of premium pet food brands, is increasing industry turnover - \$17bn a year in 1994 - by 10-15 per cent annually. The total of large. chain-owned outlets has grown to about 700 from 250 in 1993. Conventional supermarkets, which accounted for 80-90 per cent of pet food sales a decade ago, last cent, according to Mr Hansen.

The pressure is forcing the closure of around 30 per cent of traditional family-owned pet shops each year. Veterinary practices and grooming parlours are being squeezed by the intrusion into their territories. PetsMart, which started out offering routine medical services such as inoculation, now has clinics and full-time veterinary surgeons in several

Glass-walled in-store grooming parlours attract spectator-shoppers. Other draws include dogwash facilities, obedience classes

and photography studios.
The stores' entertainment value is further enhanced by sections devoted to books, videos and toys. Colourful fish tanks and small mammals for customers to pet add to the mix of

Sales of livestock account for only a fraction of the group's turnover, but instore cat and dog "adoption" centres find new homes for strays and rejects from dog pounds which would normally be destroyed. They often go to homes which already have at least one pet - and always at a tiny fraction of the cost of a conventional pet shop puppy or kit-ten. "Helping the community to solve a problem," says Mr Hansen. PetsMart expects to find homes for 200,000 dogs and cats

Such universal, emotional factors are key to the strategy

which Mr Hansen believes will crown PetsMart's impending foreign adventure with success. "Relationships between owners

all over the world," he says. There are no racial or ethnic differences. Food is the same, and there is no fashion content. The mass of comfortably-off emptynest baby boomers will increasingly look to domestic animals for their emotional comfort and in return pamper their pets with expensive food and toys.

Mr Hansen has drafted a strat-

egy for the first stage of the move abroad. The Canadian chain will be launched in Ontario and Van-

couver before stretching across the plains and eventually reaching Quebec. Half a dozen initial openings will test and correct the tics in the first 18 months, before a rapid cross-country sweep opens a projected total of 65 stores within four or five years. Beyond that, he is not saying.

Plans for expanding PetsMart further and moving into Europe remain under wraps. According to Mr Hansen, they are matters for discussion only between himself and a dim-looking toy collie, squatting by his desk, which has a non-speaking role in all corporate decisions.

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## Elektrowatt may sell off stake in Eurodis to highest bidder

By Christopher Price in London

Eurodis Electron faces a potentially hostile takeover after being told by Elektrowatt, the Swiss electricity generating and engineering group, that it intends to sell its 42 per cent holding in the UK electronics component distributor to the highest

Elektrowatt has also put its 29.9 per cent stake in Unitech, the international electronics

group, up for sale. Eurodis Electron is furious at the behaviour of Elektrowatt. which took on its holding just six months ago as part of the merger between Eurodis, Elektrowatt's distribution business, and Electron House, the UK components

The merger in August created the fifth largest electronic com- tably result in the shares being to 1.85p.

ponent distributor in Europe with a stock market value which has risen to £175m (\$270m). Electron House believed it was securing a medium to long-term share-

However, Elektrowatt's strategy changed in December when it made a SFr1.8bn (\$1.5bn) agreed offer for Landis & Gyr, the electronics group. Elektrowatt, which is con-

trolled by the Credit Suisse bank, said then that it intended to dispose of its investments in peripheral businesses in order to raise SFribn for the purchase. Eurodis Electron had hoped

that Elektrowatt would sell its holding to institutional shareholders, and still hopes that may be the outcome. However, any attempt to place

such a large holding would inevi-

offered at a discount to the current share price. Conversely, the Swiss group believes a potential suitor for Eurodis Electron would be willing to pay a premium for its stake.

Eurodis Electron reported its first results yesterday showing an increase in half-year pre-tax profits from £2.77m to £15.35m, lifted by a four-month contribution from Eurodis and profit from a disposal. Before the £9,4m exceptional item, resulting from the disposal, profits rose 86 per

Turnover on continuing operations rose nearly three-fold to £118.6m. Earnings per share before the exceptional item rose 3 per cent to 6.2p. Including the disposal profit, earnings rose from 6p to 26.15p. The interim dividend was raised 19 per cent

## INTERNATIONAL COMPANIES AND FINANCE

#### **EUROPEAN NEWS DIGEST**

## Preussag in friendly bid for Elco Looser

Preussag, the German steel and engineering group, has made a SFr267.5m (\$220m) friendly takeover bid for Elco Looser, a loss-making Swiss manufacturer of heating equipment. It plans to integrate the Zurich-based group with its Wolf and Kermi heating technology units to create a combined group with sales of about SFr1bn. The Elco Looser board is recommending acceptance of the Preussag offer of SFr535 per registered share, a 22 per cent premium over the average price of SFr438 in the second half of 1995.

The company, which also has interests in dyes and paintstuffs, yesterday blamed increasing competition in European markets for a 7 per cent drop in sales last year to SFr602m. "A disappointing operating result together with the cost of restructuring will result in a substantial loss," it said. In 1994, the group had net profits of SFr13.7m.

## SAP disappoints with 43% rise

SAP, Germany's leading computer software house, yesterday announced a 43 per cent improvement in pre-tax profits for 1995, but disappointed the Frankfurt bourse, which had expected better after the company's spectacular growth in recent years. In the first half of 1995 profits rose 80 per cent. SAP said it was satisfied with the results.

The ordinary shares slipped DM6 to DM222 on the news. However, Mr Dietmar Hopp, chairman, said he was confident about prospects for 1996. The slight slowdown in growth did not suggest slackening profitability, he said. Revenues grew 47 per cent from DM1.83bn to DM2.69bn (\$1.8bn). Income before taxes rose 43 per cent, from DM471m to DM674m, while earnings per share were 44 per cent higher at DM4, compared Alan Cane, London

#### L'Oréal sales increase 12%

L'Oréal, the French cosmetics group, yesterday posted full year sales up 12.1 per cent from FFr47.6bn in 1994 to FFr58.3bn (\$10.4m). At constant exchange rates and excluding acquisitions, turnover was up 6.4 per cent. Analysts said this indicated continued weak demand. The figures were slightly below expectations, but the shares closed up FFr19 at FFr1,448

The group said its pre-tax profits would be markedly better than those in 1994, which were FFr5.15bn. This would be despite higher financial costs after its acquisitions last year of Cosmair in the US and Lorsa Fagel in Switzerland. The net results would be affected by a higher tax charge because of changes to French tax rules. James Capel in Paris said it expected net profits, due to be announced in April, of FFr3.4bn, an increase of 8.9 per cent from FFr3.121bn in 1994. Sales at Synthélabo, L'Oréal's pharmaceuticals subsidiary, in which it holds a 54.6 per cent stake, rose 15.2 per cent. Turnover at the cosmetics operations increased 11.4 per cent. Paul Abrahams, Paris

## BMW earnings 'satisfactory'

BMW, the German carmaker, said group sales rose 9.4 per cent from DM42.2bn to DM46.1bn (\$30.9bn) in 1995. The company said earnings were "satisfactory" for the year, but did not give details. Sales excluding Rover Group of the UK, acquired in 1984, climbed 3.5 per cent to DM33.1bn. AFX News, Munich

■ Pinault-Printemps-Redoute, the French retailer, said yesterday sales rose almost 10 per cent from FFr70.8bn to FFr77.8bn (\$15.2bn) last year. At constant exchange rates and with the same company structure, sales would have risen 2.4 per cent, the company said. AFX News, Paris

Net Income

1995 Net Income

tin billions of Franch francs)

Operating Income by Business

**Upstream** 

E Chemicals

Non Middle East output

382,000 boe/d 345,000 boe/d

Middle East oil and gas output

287,000 boe/d 287,000 boe/d

Proven Reserves

4,303 Mboe

1994

137FFB

13.6 / 3.9FFBn

4.466 Mboe

1995

12.1 / 2.3FFBn

Segment (before special items)

## Rhône-Poulenc steps up shake-out

Rhône-Poulenc, the French chemical group, yesterday announced disposals worth FF710bn (\$2bn) over the next two years aimed at cutting its unwieldy debt and boosting its

"inadequate" profitability. Unveiling a 10 per cent decline in operating income, to FFr6.2bn, on sales down 1.8 per cent at FFr84.8bn, Mr Jean-René Fourtou, chairman and chief executive, said last year's results were disappointing especially after three years of strategic restructuring. However, he denied the company was on the wrong tack. The operating margin of 2.5 against FFr1.91bn last time.

many chemicals companies achieved record profit levels was due to external factors and one off items, he said.

Principal among these were the weak dollar, a recession in Brazil, and economic downturn and strikes in France. The results were also depressed by the group's active programme of acquisitions and disposals. On a continuing basis, and

with exchange rate movements excluded, sales had risen 7.4 per cent. Excluding provisions for restructuring and acquisition charges, operating income rose 12.2 per cent. Net profit worked out at PFr2.13bn,

The provisions amounted to FFr1.7bn, of which FFr630m was for the integration of pharmaceutical companies Fisons and AIS into its US-based pharmaceuticals arm Rhône-Poulenc Rorer. This was offset by a FFr655m tax credit.

The company's continuing commitment to expanding its research and development programme, and increased capital expenditure had also contributed to an erosion in profits and cash flow. The R&D budget rose from FFr6.7bn the previous year to FFrklbn, and capital expenditure to FFr6.1bn from FFr5.2bn.

This saw the cash flow drop

acquisitions - after deducting the gains from disposals - this lifted the group's debt by FFr11.8bn, taking its gearing to 72 per cent. The company was deter-

mined to reduce this to 50 per centrover the next two years, said Mr Fourton, with the help of the planned disposals, half of which would be in the pharmaceuticals business. It planned to sell its stake in Société Générale, and would also be making large disposals in its chemicals division. However, it did not rule out

further acquisitions, and remained committed to expansion in Asia and South



Jean-René Fourtou: results disappointing after revamp

America. Mr Fourtou said. The company would not reveal regional profits.

## Telecoms operators launch global alliance

Three of the world's leading telecoms operators - Deutsche Telekom, France Télécom and Sprint of the US - yesterday launched the world's third global telecoms alliance, forecasting sales of \$5bn by 2000. Deutsche Telekom and France Télécom, the biggest

operators in Europe, will pay a total of \$4.2hn, slightly more than expected, for a 20 per cent stake in Sprint, the third biggest US long-distance carrier. Unveiling the final details of

three companies said the venture offered clients around the world a new range of services.

"Global One is going to offer customers communication to the world through a single point of contact, a single global network that is state-of-the-art technology," said Mr William Esrey, Sprint chief executive.
"No one else in the world is offering this unique level of services."

Mr Esrey said Global One would focus on three segments of the international telecoms

and video services for corporate clients; international consumer services, such as calling cards, and international transmission and support to other

The two European companies yesterday paid \$3bn for a new class of Sprint preference stock, giving them each a stake of about 7.5 per cent of Sprint's voting power. The two compa-nies will make the rest of their investment after Sprint Cellular Co, the mobile telecoms division, has been spun off later this year, bringing their

competition from the two existing global telecoms alliances which have a considerable headstart. AT&T, the US operator which is the world's biggest, has linked up with four European operators in a ven-ture called Uniworld. British Telecommunications, the UKbased group, and the US company MCI make up the second leading global telecoms alli-

ance, known as Concert. The launch of Global One will come as a considerable relief to Deutsche Telekom.

Global One will face strong the year. The state owned com-ompetition from the two exist pany faced public criticism of its tariff changes on January 1 and this week had discounts for corporate clients delayed by Mr Wolfgang Botsch, the German post and telecoms minister.

Yesterday, the company said it was temporarily withdrawing a number of digital tele-coms services such as conference calls and call-holding used by about 80,000 custom ers. Deutsche Telekom said "countless" customers had called in to complain of false

said it was on course for sharply higher figures this vear. Its result was SKr23m lower than in 1994, reflecting much weaker figures from Arjo, the world's leading supplier of patient handling and hygiene systems, which Getinge acquired for SKr2.8bn after a takeover battle last autumn.

Getinge

by Arjo

in Stockholm

held back

weakness

By Christopher Brown-Humes

Getinge of Sweden, which

became one of Scandinavia's

largest medical technology

groups last year after a string

of acquisitions, - yesterday

announced pre-tax profits of

SKr389m (\$55.5m) for 1995 and

Getinge said its figures had been calculated according to a pooling method combining its own results for calendar year 1995 with Arjo's for its financial year to September 30. It decided to take Arjo's SKr228m deficit in the final three months of 1995 - blamed mainly on one-off restructuring:costs - as a balance sheet charge against equity, rather than through its profit and loss account. This accounting treatment was criticised in some quarters yesterday for not reflecting the group's financial performance clearly

Getinge said it expected 1996 profit to reach between SKr480m and SKr500m. Most of the improvement would come from Arjo, said Mr Carl Bennet, Getinge president.

But he also forecast better performances from the group's sterilisation and distribution divisions, both of which saw lower operating margins last

Getinge has begun an extensive restructuring of Arjo, which saw profits fall from SKr235m to SKr126m last year after it was hit by delayed US product launches and a heavy drop in sales of patient handling systems in the UK. Getinge has closed Arjo's headquarters in southern Sweden, and one of its German factories. It has also cut staff in the US and Sweden.

Although the restructuring costs have proved higher than expected. Getinge expects annual synergy gains of between SKr80m and SKr100m within two years. This is higher than an earlier estimate of SKr60m.

Apart from Arjo, Getinge bought LIC Care, another Swedish medical sector group, for SKr552m, and several smaller companies in France and South Africa last year. SKr2.59bn to SKr3.22bn. Excluding acquisitions, turnover rose 6.4 per cent.

The group, spun off from Electrolux in 1993, now consists of 60 companies in 21 countries with 2,700 employees. The B shares rose SKr6 to close at SKr329 yesterday.

#### market: worldwide voice, data final investment to \$4.2bn. the alliance, to be called Global which has had a bad start to Total climbs 9% before FFr1.5bn provisions

By Paul Abrahams in Paris

Total, the French oil and gas group, yesterday followed Elf Aquitaine and its US competitors by making big provisions to comply with new US accounting standards.

The accounting standards and restructuring charges reduced net income by FFr1.5bn (\$292.9m). Excluding these, net profits for the year to December rose 8.8 per cent from FFr3.4bn to FFr3.8bn. Earnings per share improved 8.2 per cent from FFr14.6 to FFr15.8, while earnings per ADR increased 20 per cent to

The results were in line with forecasts. However, the accounting standards charges, which knocked FFribn off net

**TOTAL REPORTS A 9% INCREASE IN THE ESTIMATED** 

1995 NET INCOME BEFORE SPECIAL ITEMS

Meeting on January 30th, TOTAL's Board of Directors chaired by Thierry DESMAREST was informed of the

Group's estimated 1995 financial results. Net income (Group share) before special items amounted to FF 3.7

billion compared with FF 3.4 billion in 1994. Taking into account the slight increase in shares outstanding

over the year, fully diluted earnings per share before special items came to FF 15.8 in 1995 versus FF 14.6 in

1994, an 8% increase. Using the average exchange rate for the year, the earnings per ADR (American

In 1995, the application of new US accounting standards and expenses linked to new restructuring programs reduced net income by FF 1.5 billion. Net income (Group share) after special items totaled FF 2.2 billion.

Operating income before special items increased due to production growth and productivity gains

medical and life insurance coverage for employ had a negative impact on net income of FF 0.2 billion. Application of these new American standards reduces the net income (Group share) by

FF 1 billion, without any impact on the cash flow. Restructuring: restructuring programs announced in 1995 - the Ark City refinery in the US, withdrawal

from Petrogal in Portugal, rationalization of the paints segment and reduction of headquarters staff-reduced net income (Group share) by FF 0.5 billion, and cash flow by FF 0.4 billion.

Once again, operating income growth came from productivity gains and greater rationalization within the Group as well as from an increase in oil and gas

production. These two factors added FF 1.1 billion to

operating income, more than offsetting the adverse effect of market conditions. Exploration expenses decreased by FF 0.1 billion and depreciation declined

by FF 0.2 billion as a result of adopting FAS 121 effective January 1, 1995, and thus accounting for the

operating expense.

Middle-East oil and gas output was maintained at 287,000 boe/d. TOTAL's proven reserves commed to expand, rising to 4,466 million boe from 4,303 million boe in 1994. This increase comes from non-

products and growth of the marketing activities in expanding countries. Resulting gains however were eroded by the retail price war in the United Kingdom

1995 versus FF 13.6 billion in 1994. Divestments came

to FF 2.3 billion in 1995 compared with FF 3.9 billion

in 1994. Capital spending budget figures are set at FF 15.6 billion in 1996, a 29% increase relative to 1995

achievements. The Group's financial situation is sound, with a net debreo-equity ratio of 18% at December 31, 1995 versus 22% at year-end 1994.

Middle-East reserves only (+8%).

ing increase in the operating income before

income by about FF 1 billion.

special items.

1995 ESTIMATED 1995 NET INCOME

Depositary Receipt) rose by 20% to \$1.58 in 1995 from \$1.52 in 1994.

3 Net income reduced by special items

New accounting standards: TOTAL elected to apply as from 1995, as previously announced, the new US FAS 121 accounting standard, which limits the book

value of assets to their market value. As a result, non recurring writedowns were recorded for the year mainly in exploration-production for fields in

Norway, the United States and Vietnam. These charges reduced operating income by FF 1.3 billion and net income (Group share) by FF 0.8 billion, or

In addition, the FAS 106 standard concerning

Operating income from the huginess segments before

special items rose to FF 7.4 billion in 1995 from FF 7.0 billion in 1994, in a mixed oil environment. The

average Brent price increased to \$17.10/barrel in 1993 from \$15.80 in 1994, but refining margins in both Europe and the United States fell to very low levels during the year. In Europe, the average margin was \$11.40 per tonne (\$1.56/barrel) in 1995 versus \$12.50 per tonne (\$1.56/barrel) in 1995 versus

The 10% decline in the Dollar-Franc exchange rate also laid a negative impact. Taken together, these external factors reduced the Group's operating

The Upstream Segment enjoyed strong growth in

operating income driven by a combination of higher crude prices; an 11% increase in non-Middle-East output to 382,000 boe/d from 345,000 boe/d in 1994; productivity gains aimed at

reducing technical production costs, and lower

The decline in Downstream operating income reflects

refining margin trends in Europe and the United States. Efforts to reduce refineries' break-even points continued

Consolidated sales were about stable at FF 136

billion, as underlying growth was hidden by the dollar decline. Cash flow came down to FF 11.2

billion in 1995 from FF 12.3 billion in 1994, due to

negative impact of some exceptional items.

currency fluctuations, lower disposal gains and to the

Gross investments amounted to FF 12.1 billion in

 $\ensuremath{ \square}$  Downstream Segment hit by the refining crisis

\$13.40 per tonne (\$1.84/barrel) in 1994.

about 1% of noncurrent assets.

profits, were higher than expected. Analysts had been expecting about FFr300m. The standard FAS 121 limits the book value of assets to their market value. The other, FAS 106, covers medical and life insurance coverage.

One London-based analyst commented: "It may be cynical, but by taking these sub-stantial charges and then backdating the accounting standard to the beginning of the year, Total's depreciation charge falls by some FFr2bn, and its return on equity is naturally flattered.' The group aims to have a 10

per cent return on equity in 1998. The shares rose FFr3.4 to close at FFr349.70. Group sales fell 1 per cent

from FFr137bn to FFr136bn,

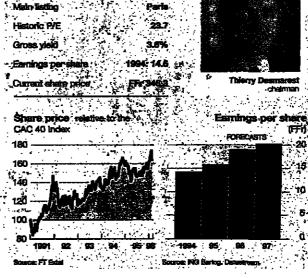
held back by the 10 per cent COMPANY PROFILE decline in the US dollar against Total 🗼 💥 the franc in the year.

The upstream operations off-set weak downstream results. The exploration and production division posted trading profits up 47 per cent from FFr3bn to FFr4.4bn. The results were lifted by higher average crude oil prices, up from \$15.80 in 1994 to \$17.05 last year. Production rose 6 per cent to 669,000 barrels of oil equivalent a day (boe/d). The mix also helped: non-Middle East production, which does not suffer from fixed margins, increased 11 per cent to 382,000 boe/d, although this was a little below forecasts.

Mr Thierry Desmarest, chairman, said Total continued to invest heavily in upstream activities outside the Middle East. Capital spending in this area was FFr6.2bn last year, and would reach FFr7.1bn this year. He said he hoped production outside the Middle East would reach 458,000 boe/d this

Total was also working to keep down production costs. said Mr Desmarest. These had from \$11.6 a 1992 to \$9.1 last year. In contrast, the downstream

refining and marketing division suffered from poor refining margins and a price war in fities in Portugal and the US. the UK. Hopes of a recovery in the second six months had not materialised. Operating profits fell 46 per cent from FFr2.4bn



to FFr1.3bn.

Mr Desmarest said Europe's refining industry suffered from 10 to 15 per cent overcapacity, an organised pan-European restructuring.

In the meantime, Total had rationalised downstream activand had decided not to invest in the Czech Republic. It was, instead, concentrating on highgrowth regions such as Indon-

esia. Colombia, Thailand and China. The division was also looking to increase sales of added-value products.

The chemicals division's operating profits rose marginally from FFr1.66bn to FFr1.7bn, hit by escalating raw material costs which proved impossible to pass on to customers. Sales rose 9 per cent to FFr21.7bn although demand from the automotive and construction industries was weak.

## Agnelli warns of difficult year for Fiat

By John Simkins in Milan

Mr Giovanni Agnelli, who steps down as Flat's chairman next month, vesterday forecast a "difficult year" ahead for the company against a background of poor prospects for economic growth worldwide.

In his last annual letter to shareholders, Mr Agnelli said the Turin-based company expected consumer demand to be flat, as it became in the second half of 1994. Demand for cars was expected to stay at the same level, and the market for commercial and agricultural vehicles would be quiet.

Figures released by Fiat showed group turnover had risen from L65,842bn in 1994 to L75,500bn (\$46.8bn), in line with analysts' expectations. Taking into account disposais of subsidiaries during the year, this represented an increase of almost 17 per cent.

Operating income was esti-mated at L3,400bn, against L2,676bn, which would put the group in line for a net profit for the year of about L2,000bn, a figure already signalled by

Fiat. Net profit in 1994 was L1011bn, a turnround from the year before when Fiat incurred the worst loss in its history. At the operating level, the

return on sales was 4.5 per cent, up from 4.1 per cent the previous year but lower than one Milan analyst's forecast of 5 per cent. Mr Agnelli said this was "a considerable improvement", but that in terms of profitability the 1995 results "did not appear totally satisfac-tory". He said the second half had suffered from reduced margins as a result of worsening market conditions.

The group's debt climbed L500bn to L2,500bn, in part because of heavy investment. In his letter, Mr Agnelli dealt

at length with factors, such as political uncertainty, which he believed were holding back demand in Europe and which were only partially offset by strong exports. However, he said all Fiat's sectors had shown growth and that Fiat Auto, the core cars division, had increased sales in Europe, excluding Italy, by 6 per cent. The subsidiaries results



Giovanni Agnelli: expects consumer demand to be flat

indicate the company is returning to its roots as a vehicle maker. Fiat Auto had a turnover of L38,706bn, up 16.6 per cent, and sales at Iveco, the commercial vehicles arm, rose 30.6 per cent to I.11,009bn. Mr Agnelli said Fiat would not be deterred from its policy of internationalisation and con-

centration on its core business

by problems that might arise

from pay negotiations with

den on the company. After yesterday's board meeting, the group confirmed that Mr Roberto Testore would become Fiat Auto's managing director when Mr Paolo Cantarella leaves the post to become the group's chief executive. Mr Paolo Marinsek will succeed Mr Testore as chief of the Comau automation unit. Lex. Page 14

unions and the heavy tax bur-

## Danone depressed by restructuring charge Turnover increased 3.4 per

By Paul Abrahams

A FFrl.8bn (\$351m) charge to restructure Danone's European operations knocked the French foods group's full-year net profits, which tumbled 39 per cent from FFr3.52hn to FFr2.13bn. Nevertheless, the board proposed the dividend should be maintained at FFr16.

The exceptional charge was to cover the restructuring of non-French European businesses during the next three years. The results also suffered from higher French tax rates. over the period.

which cut FFr250m off net profits. Excluding the charges, net profits would have been about FFr3.38bn, below market Operating income rose 4.3

per cent from FFr6.72bn to FFr7bn. The group said operating margins slipped slightly from 9 per cent to 8.8 per cent. In Europe they were 9.3 per cent, a slight decline caused by the high cost of PET for plastic mineral water bottles. Non-European margins improved from 5 per cent to 5.9 per cent

cent from FFr76.82bn to FFr79.45bn. At constant exchange rates and excluding acquisitions the increase was 4.6 per cent. In Europe, sales rose 3.2 per cent. Mr Antoine Riboud, chairman, said there had been a significant slowdown in the region, particularly during the second

Elsewhere, sales rose 46 per cent to FFr11.3bn, helped mainly by acquisitions. Underlying non-European growth that it planned to achieve non-European sales of FFr30bn within five years.

As part of its international strategy, the group said it was launching a new bottled water brand in the US called Dannon, The company said this would be positioned to take advantage of the expected doubling of the US bottled water market by the end of the decade.

The group also announced it acquired 70 per cent of Haomen Brewery, one of the largest in the Beijing region and was 11.9 per cent. Danone said among China's top 10 brewers.

🗅 Sustained growth in the Chemicale Segment despite adverse business conditions in Europe

The Chemicals segment posted a 9% increase in sales over 1994 at FF 21.7 billion. This strengthening however did not feed through to proportional growth in operating income. This was due to lacklustre materials proved difficult to pass on to constituers.

A sound financial situation and a rising investments budget for 1986

TOTAL - 24 Cours Michelet - 92069 Paris La Défense Cedex - France

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Left to tight: Ed Miller President - Chemical Banking Corp.

Michel Kruse, Vice Chairman/Global Financial Services - Chase Manhattan Corp.

Walter Shipley, Chairman/CEO - Chemical Banking Corp.

Tom Labrecque, Chairman/CEO - Chase Manhattan Corp.

Bill Harrison, Vice Chairman/Global Wholesale Banking - Chemical Banking Corp.

Chase and Chemical have long envied each other's capabilities. But through it all, there was one trait we both shared: exceptional client focus. That's why our agreed merger is more than just combining our capabilities. It's an integration of our abilities to deliver the best solutions. An integration of people and ideas. It's a leveraging of our leadership positions to identify new opportunities for your business. It's teamwork across all lines of business to solve your individual needs. Whether those needs are on the other side of the street, the other side of the country or the other side of the world.

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#### AMERICAS NEWS DIGEST

## IBM acquires Tivoli in \$743m cash deal

IBM has agreed to acquire Tivoli Systems, a US supplier of computer networking software and services, for \$748m in a cash tender offer. IBM will offer Tivoli shareholders \$47.50 a share, a sharp premium on Tivoli's closing price on Tuesday of \$37.75 a share. Yesterday, Tivoli's share price jumped to \$47 in early trading. The \$743m price includes the purchase of Tivoli's outstanding shares, the vesting of a portion of the company's employee stock options, fees and expenses, less Tivoli's current cash, the companies said.

Tivoli, based in Austin, Texas, provides systems management software and services for corporate computer networks and had revenues last year of \$50m. The acquisition will augment IBM's existing networking products and is in line with the company's strategic focus on "network-centric" products. IBM said it would take an unspecified charge against earnings to write off software under development, in line with Louise Keltoe, San Francisco standard accounting rules.

#### Bethlehem Steel sees setback

Recent price reductions and severe weather in parts of the US in the early weeks of this year will hold back earnings growth at Bethlehem Steel in the first quarter of this year, Mr Curtis Barnette, chairman, said yesterday. His comments came as the second-biggest steelmaker in the US reported net income of \$32m, or 20 cents a share, for the final three months of last year, almost unchanged from the year before. Full-year earnings climbed by \$99m to \$180m, or \$1.24 a share.

Mr Barnette offered a cautiously optimistic view of 1996. with "moderate and sustainable" economic growth and a strengthening of demand after the final months of 1995, when customers had been working their way through high inventory levels. He added, though, that new steelmaking capacity in the US would make the market more competitive. Bethlehem's operating profits were \$31 on each of the 2.14m tons of steel shipped in the final quarter, compared with \$22 a

Richard Waters, New York

#### **Bank of Nova Scotia expands**

The Bank of Nova Scotia has agreed to take a majority stake in Grupo Financiero Inverlat, which owns Mexico's fifth-largest bank. Sources close to developments said that the two banks and the Mexican government had agreed that the Canadian bank would increase its participation in Inverlat from its current 8.5 per cent to between 51 per cent and 55 per cent. At present, Mexican government banking regulators have control of Inverlat. Daniel Dombey, Mexico City

#### Glencore buys into Alumax unit

Glencore, the international trading group based in Switzerland, is paying \$89.3m to Alumax, third-largest of the US aluminium producers, for a 23 per cent interest in the Mount Holly aluminium smelter at Goose Creek, South Carolina. Alumax said the deal would generate a pre-tax gain in the first quarter of 1996 of more than \$75m. The proceeds would be applied against the early repayment of a \$90.7m promissory note payable to Glencore in May this year.

The US group will retain a 50.33 per cent stake in the smelter, which has the capacity to produce 182,000 tonnes a year, and management control. As a condition of the sale, Glencore's entitlement under a tolling arrangement that terminates in July 1996 has been reduced from an annual 90.719 tonnes to 48,980 tonnes

Kenneth Goodina. Mining Correspondent

#### Closure costs put Asarco in red

A \$79m after-tax charge pushed Asarco, the US mining group, into a net loss of \$11m, or 27 cents a share, for the fourth quarter of 1995, compared with net earnings of \$48m or \$1.15 a share in the comparable period. Sales in the quarter rose 36 per cent to \$800m.

The charge related to the closure of lead refining operations in Nebraska, changes in accounting and additional reserves. Excluding the charge net earnings were \$68m or \$1.60 a share. The company was helped by higher prices in the fourth said the company expected another good year in 1996. "Market fundamentals remain positive," he said. For the full year Asarco reported net earnings of \$169m including the charge, against \$64m for 1994, on sales up 60 per cent to \$3.2bn. ■ SPCC, the largest mining group in Peru, announced net earnings of \$68m, or \$1.04 a share, for the fourth quarter 1995, against \$31m, or 47 cents a share, in the comparable period. For the full year, net income rose from \$91m to \$217m on sales up 32 per cent to \$929m. Clare Gascoiane

## CORRECTION

## Oracle

The FT reported on January 30 that Oracle is expected to invest in a satellite joint venture formed by MCI and News Corp. Oracle is, in fact, expected to invest in a different MCI-News Corp joint venture that is developing online information services.

## **Strong Marlboro sales** lift Philip Morris 16.5%

looked forward to another

"robust" year in 1996, with

much of the growth coming

from increased cigarette sales.

The world-wide tobacco

business was "absolutely flying

fourth-quarter volume growth

in its international tobacco

business was upset by

abnormal trade buying

patterns, but for the full year,

the total number of cigarettes

sold rose by 10.7 per cent to

593bn and operating profits

rose by 20 per cent to

This reflected the growing

demand overseas for

American-style cigarettes, the company said. Volumes and

right now," he said.

Philip Morris

By Richard Tomkins in New York

Strong sales of the company's flagship Marlboro cigarettes helped Philip Morris, the US tobacco and food group, record a 16.5 per cent jump in net profits to \$1.3bn in the fourth quarter, the company reported yesterday. Earnings per share rose 20.5 per cent to \$1.53, a touch above the \$1.52 expected by analysts.

The results rounded off a year in which net earnings rose by 15.9 per cent to \$5.5bn, mainly because of sharply higher income from world-wide tohacco and solid results from North American food. Full-year earnings per share.

share repurchases, rose by 19.4 per cent to \$6.51 Mr Geoffrey Bible, chairman and chief executive, said he

boosted by \$2.1bn worth of market shares set new records in most important areas, and there was a surge in exports to central and eastern

tobacco business benefited from a market trend away from low-price cigarettes towards premium brands.

The number of Marlboro cigarettes sold in the full year rose by 5.2 per cent to 144.9bn, and the brand's market share rose by 2.5 percentage points to a record 30.1 per cent.

Total cigarettes sold by Philip Morris in the US rose by 1.1 per cent to 221.8bn, and the division's full-year operating profits rose 13.3 per cent to

On the food side, the North

American operations had a

relatively good year with

full-year operating profits rising 7.5 per cent to \$2.4bn. Margins rose because of the cost savings resulting from a realignment of the busine The international food business, helped by lower costs

Philip Morris Main Ilsting New York 14.9 Historic P/E 4.3% Earnings per share 1994: \$5,45 Share price relative to the S&P Composite **FORECASTS** 

and growth in emerging markets, increased operating

COMPANY PROFILE

profits by 5.6 per cent to

#### **Beta Funds** unit to get round Cuba . 5.0 ست embargo By Stephen Fidler, Latin America Editor The first venture capital vehicle for investors in Cuba is being launched this week after 18 months of preparation. Beta Gran Caribe is an investment company to be listed on the Dublin Stock Exchange and will be managed by Havana Asset Management, a subsidiary of the Londonbased Beta Funds Inter-

national.

for Monday.

stated targets.

Latinvest, the London-based

broker acting as placing agent,

said the company was expec-

ted to raise SFr35m (\$28.8m).

The formal launch began last

Friday and settlement is set

Beta Gran Caribe has taken

about 18 months to put

together. Mr Peter Scott.

Beta's chief executive, said the

amount likely to be raised was

about in line with expecta-tions. However, the size is at

the low end of previously

It will concentrate on invest-

ments in property, tourism, biotechnology, agriculture and

one or two other areas. Mr

Scott said a number of invest-

In deference to the US embargo of Cuba, Beta Gran

Caribe has not been marketed

in the US and is denominated

ments were almost ready.

Miller Brewing's volume was down slightly, but profits rose on higher sales of premium

## Novell agrees \$116m disposal of WordPerfect

board.

Novell, the US computer software company, has agreed to sell Word-Perfect and other office application products to Corel, a Canadian graphics software company, in a deal valued at \$115.9m - a fraction of the price Novell paid to acquire the products less than two years ago.

The sale is the latest move by Novell to refocus on its core computer net-working products in the face of stiff competition from Microsoft, the world's largest software company. Novell acquired WordPerfect, a devel-

oper of word processing programs, for \$1.4bn in 1994. At the same time it also purchased QuattroPro. a spreadsheet application, from Borland International. These and related products formed the basis of Novell's office applications suite, PerfectOffice.

Novell's attempt to expand into the office applications market placed it in head-to-head competition with Microsoft's Office products, and Novell failed to gain ground.

Microsoft Office now holds more than 90 per cent of the world market for office application suites. Under the terms of the deal

Wise communications software, electronic publishing software and other technologies paying a minimum royalty of \$70m over the next five years, the mpanies said.

Novell said that after costs and other charges, the agreement will result in a slight one-time gain in its fiscal second

\$10.75m in cash and about 9.95m in

Corel shares, which represents about 20 per cent of the Ottawa-based company's

shares outstanding. Novell is now enti-

tled to nominate a director to Corel's

Corel will also license Novell's Group-

quarter ending April 27.

Analysts were sceptical, however, about Corel's abilities to revive sales of WordPerfect, which fell sharply last year when Novell fell behind in developing new versions of the office programs for use with Microsoft's Windows

France's Peugeot-Citroen.

However, building different-

looking cars based on shared

parts is slow, and can take

more than one generation of a

vehicle to come to fruition.

mid-sized models.

important step to broaden its product line and expand its customer base among the estimated 20m users of WordPerfect. "We think that the public will be excited by the new potential of the WordPerfect products as they are combined with the graphics and multimedia strengths of Corel," said Dr Michael Cowpland, Corel chief execu-

> in Swiss francs so as not to fall foul of the embargo on the clearing of US dollars. The name of the company was changed to avoid the word Cuba appearing in the title. The embargo made marketing more difficult, particularly

given the uncertainty surrounding possible legislation now in the US Congress to tighten the embargo. Its original adviser, S.G. Warburg. Making cars which look difdropped out after its merger ferent but share much beneath with Swiss Bank Corporation. the skin can be done - witness The launch was also delayed the success in Europe of

until after the flotation of Sherritt International, one of the most prominent investors in Cuba, which was spun off from the Canadian mining company. Sherritt.

Sherritt International, Most of the basic thinking whose interests include a 50 behind the latest GM models per cent stake in a joint took place long before the introduction of the BrandScape Cuban-Canadian nickel venture, as well as oil and gas properties and hotel investstrategy, so the real test will be with future product launches, ments in Cuba, was marketed as the equivalent of an investexpected to include minivans (people carriers) and lower ment fund in Cuba.

The Beta Gran Caribe units are priced at SFr50, each conuccess may also depend sisting of five shares with one on the outcome of GM's related plans to restrucwarrant attached. They are partly paid: half is payable on ture its dealership network

> specialises in managing equity investments in more exotic emerging markets, which often lack developed stock markets. usually through affiliates based in the country with

## announced yesterday, Corel will pay Corel said it saw the purchase as an

Matters were not helped by

GM's structure, which vested

great power in individual

Mr Smith is adamant that

fter decades of confusion between its many marques, General Motors, the world's biggest car maker, is rediscovering the brand. At the Detroit Motor Show in January, Mr Richard Wagoner, head of GM's North American operations, heralded an era of brand differentiation inaugurated by the group's new mid-sized car range. Dubbed BrandScape, the

strategy aims to identify broad, clearly distinguishable categories of buyers at which future cars will be directed. Pontiac, one of GM's four

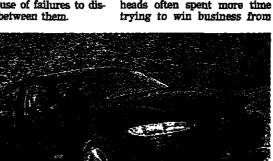
main brands, will be targeted at younger motorists looking for "excitement". By contrast, Chevrolet will be the group's entry-level product, offering attractive, no-frills transporta-

Although sharing a common olatform and many parts, the four new cars unveiled last month are styled differently to try to cater for the tastes of their target customers. While the front of the new Pontiac Grand Prix is pronounced and aggressive, its sister, the Buick Century, has a conservative front-end geared towards older. more traditional buyers.

For managers in, say, the food industry, where branding has been the name of the game for decades, such tactics may seem naive. Even Mr Jack Smith, GM's chairman, admitted the new approach was "hardly rocket science".

Discovering the value of the brand, even late in life, is a big step forward for GM. Over the past decade, the group's share of the US new car market has fallen from more than a half to only a third. The Oldsmobile and Buick brands have deteriorated the most in that time, in part because of failures to distinguish between them

brand managers at the expense of central control from the group's head office. GM will not repeat the mistakes of the past, when brand



GM's Pontiac Grand Prix - targeting the younger motorist

Sales of Oldsmobiles, for example, which reached more than 1m in 1984, had fallen to about 424,000 a decade later: Buick sales slipped by more than 40 per cent to 545,000 in the same period.

GM executives admit brand differention was allowed to suffer through ignorance and inattention. Too often managers allowed, and sometimes even encouraged, brands to overlap in the belief that this would maximise sales.

other GM subsidiaries than from the competition. "In future, success will be measured by hitting a brand's target, not by hitting another brand's target and claiming it's a success." he says.

To implement the new approach, GM late last year headhunted Mr Ron Zarrella from the Bausch & Lomb eyecare group to take charge of sales, service and marketing for its North American arm. With a background in con-

ket research. "If they have misdefined their target groups, they could end up worse off than before," says one analyst. Mr Smith says GM has developed some very sophisticated. techniques in analysing and

sumer products and the sup-port of Mr Smith, Mr Zarrella

will be one of a small team of

managers entrusted with push-

ing through the new strategy.

generally support GM's move,

seen as long overdue. Many, however, warn of pitfalls: the

greatest risk is that the group

may have misjudged its mar-

US motor industry analysts

categorising responses from The risk of "fuzziness" in defining customer segments is most acute with Buick and Oldsmobile, the two GM

obvious categories. Under BrandScape, Oldsmobile will increasingly cater for youngish buyers who might have opted for the perceived quality and style of a European or Japanese import, while Buick will appeal to older,

more traditional US buyers. The new policy will put a premium on styling. Cars in future will not only have to look different, but appeal visually to the precise categories of buyer identified for each brand. The constraint, however, is that they will share basic platforms and components to keep production and

around its brands. At pre the company has too many US dealers, often resulting in harmful and pointless competition. Also, most dealers sell the full range of GM vehicles - as well as other manufacturers' products in many cases. That dilutes the brand focus at

retail level. GM hopes, over the next decade, to close a quarter of its 8,500 dealerships and to encourage those that remain to focus, where possible, on one brand only. But that will be a long and expensive process.

Haig Simonian and Richard Waters of some \$30m.

Beta, which has some \$260m of funds under management

local partners.

It also manages the Beta Vietnam Fund, launched in 1993 with some \$70m, and the Beta Mekong Fund, launched in December 1994 with just over \$25m to invest in Indochina. Its subsidiary Beirut Investment Management is also planning a Lebanon fund

## KB IFIMA N.V.

KB Internationale Financieringsmaatschappij N.V. US\$ 150,000,000 Guaranteed Floating Rate Notes due 2011

In accordance with the Description of the Notes, notice is hereby given that for the Interest Period from January 31, 1996 to April 30, 1996 the Notes will carry an Interest Rate of 5.525%

The interest Amount payable on the relevant Interest Payment Date, April 30, 1996 against coupon N° 40 will be US\$ 138.13 per US\$ 10,000 principal amount The Agent Bank of Note and US\$ 3,453,13 per US\$ 250,000 principal Luxembourg amount of Note.

#### **Union Bank of Norway** U.S. \$27.000.000 Subordinated Floating Rate Notes due 2002

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 30th April, 1996 has been fixed at 7.2375% per annum. The interest accraing for such three month period will be U.S. \$9,046.88 per U.S. \$500,000 Note against presentation of Coupon Number 15.

Union Bank of Switzerland London Branch Agent Bank 29th January, 1996





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Argus Fundamentals Understand what is driving oil prices

Petroleum Argus

#### T. C. Ziraat Bankasi mporated in the Republic of Turkey with limited lability) U.S. \$140,000,000

loating Rate Notes Due 2001 lotice is hereby given that the Interest Rate for the period from 31st January, 1996 to 31st July, 1996 is 6.5%. The loating Rate Note Interest Amount payable on 31st uly, 1996 is U.S. \$328.61 per U.S. \$10,000. In accordance with clause 6(c) f the Terms and Conditions of the Notes, the Interest Rate

pplicable for those Noteholders who have elected to Redeem their Notes on 31st uly, 1996 is 6.125% and the Floating Rate Note Interest Amount payable will be U.S. \$309.65 per U.S. \$10,000. ankers Trust



International Bank for Reconstruction and Development ECU 450,000,000 Floating Rate Notes due 2002

In accordance with the provisions of In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 30th April, 1996 has been fixed at 4.1875% per amum. The interest accruing for such three month period will be ECU 52.34 per ECU 5.000 Bearer Note, and ECU 1,046.88 per ECU 100,000 Bearer Note, on 30th April, 1996 against presentation of Coupon No. 18. Union Bank of Switzerland London Branch Agent Bank 29th January, 1996

# Prices for electricity chammined for the curposes of the electricity polity and electricity and

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## Merger costs hold back Kimberly-Clark By Tony Jackson

The first results from the US tissue maker Kimberly-Clark since its \$9.4bn takeover of Scott Paper showed operating profits in the fourth quarter up only 3 per cent before special items, at \$352m.

This was due largely to a fall in US sales at Scott. However, a sharply lower tax charge left net earnings up 32 per cent at \$255m.

For the full year, earnings from the merged group were up 51 per cent at \$1.1bn, on sales ahead 15 per cent at The company said January

wholly offset by a previouslyannounced fourth-quarter charge of \$1.07bn net, representing the costs of the

merger. The company said results from the old Kimberly-Clark were in line with analysts' expectations. However, sales and profits for the combined group had been held back by activities related to the merger, which was completed in December.

In addition, Scott had a weak

\$13.8bn. This was almost sales were returning to pre-December levels. In the fourth quarter, sales

for the combined group were up 9 per cent to \$3.4bn. This was mainly due to higher selling prices for tissue, pulp and newsprint. Also, the fall in Scott's US sales was partly offset by growth overseas.

In the quarter, the tax charge before special items fell

from 40 per cent to 26 per cent. This was due to the decline in US taxable earnings at Scott, and to tax credits in Spain and changes in tax law in the Netherlands. For the year as a whole, the tax rate fell from 41 having been as low as \$76.

per cent to 33 per cent. The company forecast a rate of 36 per cent in the current year. Also contributing to the rise in net profits was a sharp

improvement in earnings from

affiliates, from a loss of \$2m in

the quarter to a profit of \$25m. This loss in the previous quarter was due to a charit incurred by Kimberly-Clark's Mexican business to reflect the collapse of the peso.

Wall Street reacted nega tively to the figures at first, but revised its opinion during the morning. By lunchtime the shares were up \$% at \$80%.

## Gencor gold arm in C\$150m assets swap

By Kenneth Gooding, Mining Correspondent

Gencor of South Africa's new international gold business, set up last July, yesterday announced its first substantial

deal. It is to exchange assets valued at about C\$150m (US\$109m) for 49 per cent each of Eldorado Corporation, a Toronto-quoted company, and its exploration offshoot HRC Development Corporation.

When the deal is completed, Eldorado, floated four years ago, will have four gold mines producing about 200,000 troy ounces a year, 5.4m ounces of gold reserves, and exploration concessions on five conti-

Mr Gary Maude, the executive director responsible for Gencor's international gold operations, said the deal would create "a new international gold producer poised to become a senior mining company". Eldorado's aim was to be

producing an annual 500,000 ounces of gold within five years and be a 1m ounce producer in 10 years, Mr Maude said Gencor had

taken a strategic decision to stay in the gold business, but gold needed to account for at least 15 per cent of operations to give the group a significant position in the industry. At present, he guessed, it contributed about 5 per cent.

Gencor looked at more than

one with good management, good assets and of the right size. We want an association without domination," he said. For this reason Gencor had

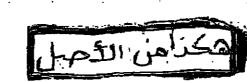
restricted its involvement in Eldorado to 40 per cent of the votes and two out of 10 directors. "If you dominate a company you change it, and we don't want to change a company that works well," he

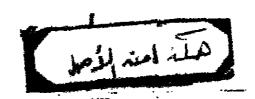
Gencor would be happy to put more assets into Eldorado "if the association goes as well as we hope". Gencor had to give 21 days' notice to the Eldorado board if it intended to sell any shares, but it could buy more at any time.

Mr Richard Barclay, presi-700 companies in a search for dent of Eldorado, said the

assets acquired would "establish Eldorado as an intermediate gold producer. This transaction with one of the world's largest international mining groups will assist us to achieve our growth objectives more rapidly than would be possible for Eldorado in isolation."

The package Gencor is transferring includes its São Bento gold mine in Brazil which produces about 100,000 ounces a year, five regional exploration and development projects in Brazil: 20 exploration/development projects in Turkey, five exploration/development properties in North America and the North American rights to use and sub-license Gencor proprietary Blox bacterial oxidation technology.





## INTERNATIONAL COMPANIES AND FINANCE

## Write-offs to put Hokkaido Bank in red Philippine

By Gerard Baker in Tokyo

Hokkaido Bank, one of Japan's larger regional banks, said yesterday a big increase in planned write-offs of bad loans would force it to declare a loss for the year to the end of March, its first for nearly 50

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Mr Toshiaki Yamashiro, the bank's president, said the recurring loss - before extraordinary items and tax would be about Y39bn (\$364m), against a forecast three months ago of a recurring

After-tax, the loss would be Y9bn to the country's now represents the recurring loss. Y32bn, compared with a forecast profit of Yl.6bn. The full-year dividend would be halved to Y2 per share.

The deficits stem from the management's decision to write off Y80bn in non-performing assets.

The bulk of the write offs will be property-related advances to third parties, most of them made during the "bubble" years of the late 1980s; the remainder to be disposed of consists of Y23bn in loans to affiliated non-bank financial institutions, and

bankrupt housing loan companies.

The liquidation of the housing lenders is currently under consideration by the Japanese government and parliament.

The plan proposed by the authorities calls for banks to write off a substantial portion of their lending to the companies as soon as possible. The bank plans to cover Y28bn of the write-offs from its core banking profit for the year, and a further Y12bn from sales of securities. The balance

Regional banks are as yet not required to disclose much more than limited details about their nonperforming loans, but Mr Yamashiro said yesterday that total bad loans, including so-called restructured loans, where the so-called

keep a borrower affoat, would be Y178bn at the end of March. The recurring loss, which is bigger than the bank's combined recurring profit for the past five years, will give new urgency to the company's continuing rationalisation

interest rate has been cut to

programme, designed to cut payroll numbers by 10 per cent over the next two years Officials said yesterday the bank would close four of its overseas offices as part of the restructuring, including the New York branch.

Hokkaido Bank, based in Sapporo in northern Japan, operates 143 branches at home and abroad.

In the year to the end of March 1995 it reported recurring profit of Y3.563bn, and after-tax profits of Y1,561bn from total assets of

## Egyptian beer reaches out to foreign parts Cairo today opens the envelopes containing bids for the Al Ahram brewery, writes James Whittington

about the Egyptian government not being able to organise a "knees-up" in a brewery will fall flat if the plan to privatise Al Ahram Beverages, the state brewery, is seen through to a successful conclu-

Having read technical bids submitted by two locally-led consortiums hoping to buy the monopolistic brewer, the state vendor will today open the most sensitive element of the

sale - the price envelopes. If one of the bids is successful, then Egypt's beer market is likely to be opened up to a foreign brewer looking to develop a new market. At the moment, foreign beers are imported on a small scale and attract a high rate of tax.

Despite having been criticised by the International Monetary Fund and the World Bank for dragging its feet on privatisation since the beginning of economic reforms in 1991, the Egyptian government has been noticeably reticent about this particular sale.

If it goes through it will be only the fourth, but the biggest, public sector company, out of more than 300, to be fully privatised.

For a Moslem country, whatever its liberal leanings, there is a natural tendency to be discreet about dealing with alco-hol, which is banned by the

oreign investors' jokes Koran. But there is also an inbred reluctance from the company and its owner, the Housing, Tourism & Cinema Holding Company - which is being advised on the sale by Arthur Andersen - to change the cosy public sector arrange-

> Most of Egypt's privatisa-tions have been carried out in partial form through the Cairo stock exchange with the sale of 10 per cent tranches to local and foreign retail and institutional investors.

> Fearing a backlash from Islamic critics the government shied away from putting the brewery on the bourse and called for an anchor investor who would bring technical know-how to modernise and uperade the facilities. The two local bidders are

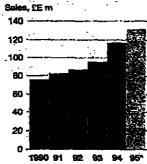
institutional investors who have promised to bring in technical assistance, or form a partnership with a foreign brewer, if they succeed in buying the company.
The favourite appears to be a

consortium comprising the Egyptian Finance Company and Al-Ahly for Development & Investment, which is seeking to buy a 70 per cent majority stake leaving 10 per cent for employees and 20 per cent with the holding company.

The other bidder wants to

take a 90 per cent stake, but has raised eyebrows among

Al Ahram Beverages



Cairo's financial community since it is a consortium of public sector financial institutions led by National Bank of Egypt in partnership with another holding company. If successful, such a sale would in effect transfer state assets from one part of the public sector to

The vendor says the list of foreign brewers which the two bidders say have shown an interest in working with them if they buy the facility include the Dutch company Heineken, Denmark's Carlsberg, Germany's Holsten and Miller of the US. Much depends on today's

opening of the price offers. The valuation of state companies has been one of the prime reasons for Egypt's slow pace of privatisation. Chairmen of the 17 holding companies set up to carry out state sales and ministers have

found it difficult to agree on suitable prices for public com-

Pre-tax profits, SE m 50 30 20

panies which are not too high to turn away potential buyers and are not too low for them to be accused of selling on the "A valuation of a state

company like this is basically guesswork. All the assets have depreciated down to zero a long time ago and on an accountancy basis what will be paid is goodwill," said one financial analyst in Cairo. According to Mr Hamed

Fahmy, chairman of the holding company, the top end of a series of valuations of Al Ahram Beverages made by Bechtel, the US consultants, was E£450m (\$133m). But this includes the compa-

ny's real estate valued at current prices. Like many public sector industries, the company's properties consist of prime sites in Cairo and Alexandria. In its unaudited 1995 results, the net worth. with assets including real estate at historical values, is put at

Unless the new buyer intends to continue production at the present facilities, one way around the difficulty of pricing the land is to lease it from the holding company while a new factory is built. "With the huge amounts of capital investment required to transform the brewer into a modern, hygienic and environment-friendly facility, this would certainly seem to be the most sensible option," said one

The company has three facilities which together have a capacity for 50m litres of beer production a year. It also produces soft drinks. Last year, unaudited profits before tax were E255.3m on sales of E£132m, compared with pre-tax profits of E£45.4m on sales of E£117.2m in 1994.

analyst.

Both bidders have said there will be no forced redundancies but this has not dampened deep feelings of apprehension among the 3,000 employees. "After decades of state control our workers are blind to the future," explained Mr Sami Herakli, head of the brewer's research and quality control

They fear they will lose their security and privileges and their salaries will be cut," he said. A decision on the sale is

expected to be announced by the end of March, after which the successful bidder will enter a three-month period of due diligence with a foreign partner before presenting a strategy for the brewery. This requires final approval before

## **Airlines** doubles its losses

Philippine Airlines (PAL), the ailing national carrier, more than doubled its losses to 2.04bn pesos (US\$77.9m) during the first nine months because of higher maintenance costs and a share dispute with the government which has prevented it from raising fresh

Mr Jaime Bautista, chief financial office of PAL, said yesterday that losses on routes to Europe had been worsened by the airline's inability to raise money to buy new aircraft, which would have allowed PAL to fly non-stop on long hauls and eliminate stopover charges. Competition in the recently-liberalised domestic market also hit revenues.

PAL's 2.04bn-peso deficit exceeds its full-year projection of a 1.72bn-peso loss in net income for the year ending March 31. However, Mr Bautista indicated yesterday that the dispute between Mr Lucio Tan, chairman of the airline. and government shareholders. which have a 33 per cent direct stake in the carrier. appeared to have abated.

The airline, which has been prevented since March 1995 from increasing its capital base pending a court ruling on the dispute, said yesterday it had secured a \$500m syndicated loan from Philippine banks to buy new aircraft.

The government last December approved "in principle" Mr Tan's proposal to issue 1bn new shares in PAL at 5 pesos each and to waive its rights to purchase the fresh equity. This would allow Mr Tan to raise his stake in the airline to 51 per cent and assume full control. It is not clear when the rights issue will be.

The dispute between Mr Tan and the government started last March when the government contested Mr Tan's right to speak for its shares in a holding company - PR Holdings - which owns 51 per cent of the airline. PR Holdings is 51 per cent owned by Mr Tan. while government institutions have a 20 per cent stake. Under December's deal PR Holdings would be dissolved.

#### **ASIA-PACIFIC NEWS DIGEST**

## **Deloittes in error** on BankWest float

An "administrative error" by the Deloitte share registry service, handling the flotation of Perth-based BankWest, has left some bank customers without share allocations on the eve of the company's stock market listing. The public offer for sale of 49 per cent of the bank's shares, after its purchase by Bank of Scotland, was heavily oversubscribed, but bank customers were to have been given preference.

However, the share registrars apparently put a number of bank customers in the general ballot and, as a result, they failed to get stock. According to BankWest, Deloittes has conceded the error and agreed to rectify it at its own expense even if this means buying shares in the market when trading starts today. BankWest said it could not quantify the number of bank customers who had been subject to the error but, based on telephone calls and fax messages, it was "more than just a handful". The shares were due to start trading at 8am Perth-time today, and were widely expected to reach a significant premium over the A\$2.05 a share offer price.

BankWest was sold by the Western Australian state government to Bank of Scotland for A\$900m (US\$668m) late last year. The UK bank, which will retain a 51 per cent interest in BankWest, stands to recoup around A\$438m (before expenses) from the flotation. Nikki Tait, Perth

## Chinese small businesses for sale

Chinese authorities have given permission to foreign investors to buy the assets of some small state-owned enterprises in southern Guangdong province. The relaxation of restrictions of foreign ownership of state assets is part of a drive to rid the government of the burden of supporting large numbers of loss-making enterorises.

Guangdong said it had 32,163 state-owned industrial enterprises, of which 95 per cent were small-scale. However, about two-thirds were in the red, in part because of poor management and obsolete technology. The enterprises may be merged, annexed by larger companies, sold or declared Agencies, Beijing bankrupt, it said.

#### Foster's extends Mildara bid

Foster's Brewing Group, the Melbourne-based beer company, said it would extend its takeover bid for Mildara Blass, the largest listed independent winemaker listed in Australia, by 14 davs to February 23.

It would offer early payment for shareholders who accepted before February 9. Foster's said it had received acceptances for 17.6 per cent of Mildara shares by Tuesday. Foster's is offering A\$7.75 cash per share, valuing the premium winemaker at A\$487m (US\$361m), in a bid which has been recommended by its directors in the absence of a more favourable offer. Big institutional shareholders and the privately-owned scotch whisky distiller William Grant and Sons, which has 10.3 per cent, have not yet accepted the offer.

#### Chinese airline 'plans listing'

China Southern Airlines, one of China's three leading carriers, will need \$2bn in the next five years to purchase 20 to 25 large passenger aircraft and expand its business, the Hong Kong Economic Journal reported. "A portion of the money needed will be raised from a planned share listing in New York," Mr Zhu Deci, a senior adviser of the mainland airline, was quoted as saying.

Preparation work for the listing had basically been completed, Mr Zhu said, but he could not give a specific timetable since details were still awaiting relevant authorities' final examination and approval. 😁 Agencies, Hong Kong



AMERICAN BRANDS, INC. US\$150.000.000 71/2% Convertible Debentures Due 2001

NOTICE IS HEREBY GIVEN that, pursuant to Section 4(a) of the Terms and Conditions of the Debentures (which Terms and Conditions are endorsed on the reverse of each Debenture) and the terms of the Fiscal Agency Agreement dated as of March 5, 1991 (the "Fiscal Agency Agreemen") between American Brands, Inc. (the "Company") and Citibank, N.A., as Fiscal Agent and Conversion Agent, the Company has elected to redeem on March 5, 1996 (the "Redemption Date 7 all of the outstanding Debentures at a redemption price of 103.8125% of the principal amount thereof (the "Redemption Price").

The Debentures shall become due and payable on the Redemption Date at the Redemption Price, which shall be paid upon presentation and surrender of the Debentures, together with all appurtenant coupons maturing subsequent to the Redemption Date, at the paying agencies listed below. Accrued interest due March 5, 1996 will be paid in the usual manner upon presentation and surrender of the coupon for such interest payment. Interest on the Debentures will cease to accrue on and after the Redemption Date (unless the Company defaults in making the payment due upon redemption). The conditions precedent to redemption of the Debentures as aforesaid have occurred. Pursuant to Section 15 of the Fiscal Agency Agreement and Section

1) of the Terms and Conditions of the Debentures, the principal amount of any Debenture may be converted into shares of Common Stock, par value \$3.125 per share, of the Company ("Common Stock") at a conversion price of U.S.\$53.19 per share, upon surrender of such Debenture, together with all unmanured coupons appearaining thereto and with the conversion notice thereon duly executed, at one of the conversion agencies specified below. The right to convert the Debentures into shares of Common Stock will terminate at the close of business on March 5, 1996 (unless the Company defaults in making the payment due upon redemption). On January 26, 1996 the closing price of one share of Common Stock as reported on the New York Stock Exchange Composite Tape was U.S.\$45.00. The value received by converting Debentures into shares of Common Stock is subject to Change based on changes in the market value of the Common Stock.

#### PAYING AGENCIES Citibank, N.A.

Citibank, N.A. Boulevard General Jaques, 2639 B-1050 Brussels Belgium Citibank, N.A.

336 Strand London WC2R 1HB England Citibank, N.A. Neue Mainzer Strasse 40/42 Cincenter D-6000 Frankfurt/Main 1 19 Le Parvis

La Defense 7 Paris, France Ciribank, N.A. Chiyoda-ku Tokyo 100, Japan

58 Boolevard Grande Duchesse Charlotte L-1330, Luxembourg Citicorp Investment Bank

(Switzerland)

Bahnhofstrasse 63

Citibank House

336 Strand

London WC2R 1HB

Germany

Citibank (Luxembourg) S.A.

Cizibank House

Citibank, N.A. Herengracht 545/549 Amsterdam The Netherlands

Citibank, N.A.

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B-1050 Brussels

8021 Zurich CONVERSION AGENCIES Ciribank, N.A.

England Citibank (Luxembourg) S.A. 58 Boulevard Grande Duchesse Charlone - L-1330, Luxembourg

AMERICAN BRANDS, INC. By: Citibank, N.A., as Fiscal Agent February | 1996

CITIBANO

## **Indonesian telecoms** partners fall out

in Jakarta

The Indonesian consortium selected to install new lines for one of Telkom's five regional telephone service contracts is holding talks with other international phone operators following a dispute with Telekom Malaysia, its original partner for the project.

Under the regional contracts arranged last year by Telkom, the Indonesian domestic telecoms operator, five consortia were selected to install new lines in various parts of Indonesla. Each of the consortia was assigned a contract, called a KSO, which required it to work with an international telecommunications company.

Officials at Daya Mitra Malindo, the Indonesian consortium selected to install 237,000 new lines on Kalimantan, declined to name the international phone operators they are in talks with. However, it looks increasingly as if Telekom Malaysia will be dropped from the joint venture altogether. An official at Daya Mitra

Malindo who requested anonymity said differences between aysia "look like they may not be resolvable," and that there have been "discussions with other public telephone operators in the event that the matter with Telekom Malaysia is not resolved."

Telekom Malaysia said there had been no communication from Daya Mitra Malindo on the subject and that it was "too early to comment.

The disagreements between the two parties centre on paid-up capital and a performance guarantee which Daya Mitra Malindo's Indonesian shareholders want Telekom Malaysia to provide.

The dispute has created "bad blood" between the two parties, the Daya Mitra Malindo consortium and Telekom Malavsia were not able to start their 15-year assignment for the Kalimantan KSO at the beginning of this year as they were supposed to.

It is not clear how this delay will affect Telkom's earnings the Kalimantan KSO is the smallest of the five contracts which pledge to install a total of 2m lines - although the KSOs are widely recognised as being critical to Telkom's earnings growth.

## the consortium's Indonesian shareholders and Telekom Mal-MIM Holdings result

hit by mine shutdown

By Bruce Jacques in Sydney

Profits at MIM Holdings, the Australian mining group, have been hit by extended industrial action last year at the company's Queensland base metal and coal operations.

The company yesterday reported a 26 per cent rise in net profits for the first half to December, from A\$43.4m to A\$58.9m (US\$43.7m), on a 19 per cent rise in revenues from A\$1.13bn to A\$1.34bn. The Interim dividend is held at 2.5 cents a share.

However, the rise in profits relied on abnormal profit up from A\$19.3m last time to A\$43.4m, on the sale of shares in Metallgesellschaft, the German mining group, and restructuring of MIM's German

Before abnormals, the company's gross operating profit declined from A\$57.2m to fell from A\$41.9m to A\$34.5m.

A\$43.5m. Directors said industrial action which caused a mine and plant shutdown last year had forced the company to purchase metal products to maintain contract supplies. Inventory distortions have

severely impacted on the first half results, a direct consequence of the industrial problems last year. The impact of these distortions will be recovered in future periods, as sales volumes relate more closely to production volumes." Prices received for most of

the company's products improved in the year, with copper up 17.1 per cent, lead 8.2 per cent, zinc 2.3 per cent, gold 8.9 per cent, silver 7.8 per cent and coking coal 15.1 per cent.

The result followed a tax provision of A\$29.4m, compared with A\$31.6m last time. Depreclation rose from A\$100m to A\$113.6m while interest costs

## Bristol-Myers Squibb Company

## Cash Offer for

## Pharmavit Gyógyszer-és Élelmiszeripari Részvénytársaság

(registered under the laws of the Republic of Hungary)

Bristol-Myers Squibb Holdings Limited, a wholly-owned subsidiary of Bristol-Myers Squibb Company, completed the acquisition of approximately 77% of the shares of Pharmavit Gyógyszer-és Élelmiszeripari Részvénytársaság, par value HUF 100, from Dr Imre Sornody and Genericon Pharma GmbH and its associates on 31 January 1996. Bristol-Myers Squibb also announces that the conditions to its cash offer made on 14 December 1995 have been fulfilled.

Bristol-Myers Squibb now owns or controls in excess of 99% of Pharmavit's shares.

On 26 January 1996, Bristol-Myers Squibb Holdings Limited announced that its cash offer had been extended until 16 February 1996, unless further extended. Any shareholders who intend to accept the cash offer should do

Pursuant to the cash offer, payment for shares and Global Depositary Shares in respect of which the offer was accepted on or before 31 January 1996 will be made by 10 February 1996. Payment for shares and Global Depositary Shares in respect of which the offer is accepted after that date will be made within 10 days of the date of acceptance. Accepting shareholders who have elected to receive Hungarian forints in cash may collect that cash from the office of Creditanstalt Securities Ltd., Nagysándor József u. 10, 1054 Budapest any time after the payment date described above. Shareholders who have accepted the offer and have elected to be paid by way of postal order or direct credit transfer to their bank account and holders of Global Depositary Shares need take no further action.

At an Extraordinary General Meeting of Pharmavit held on 31 January 1996, a resolution approving the withdrawal of Pharmavit shares from trading on the Budapest Stock Exchange was passed. Accordingly, Pharmavit will apply to the Budapest Stock Exchange for its shares to be withdrawn from trading as soon as possible.

Save as amended by this notice, the terms of the extended offer remain as set out in the offer document dated 19 December 1995.

The Board of Directors of Pharmavit has approved the publication of this notice.

If you are in any doubt as to what action you should take, you should contact one of the following:

Financial adviser to Bristol-Myers Squibb and International Broker to the Offer

Schroders 120 Cheapside London EC2V 6DS Tel: +44 171 382 6000

787 7th Avenue New York New York 10019 Tel: +1 212 492 6000

Financial adviser to Bristol-Myers Squibb and Receiving Agent for Pharmavit Shares

Creditanstalt Securities Ltd Nagysándor József u. 10 1054 Budapest Tel: +36 1 269 0711

Receiving Agent for Pharmavit GDSs

The Bank of New York 46 Berkeley Street London W1X 6AA Tel: +44 171 322 6338

> and Tender and Exchange Dept. 101 Barclay Street New York New York 10286 Tel: +1 800 507 9357

The contents of this announcement, for which Bristol-Myers Squibb Company and Bristol-Myers Squibb Holdings Limited are responsible, have been approved by J. Henry Schroder & Co. Limited, which is regulated by the Securities and Futures Authority Limited in the United Kingdom, for the purposes of Section 57 of the Financial Services Act 1986.

## More enthusiasm inside the company than out

FT writers report on the reaction of management, analysts and shareholders

Hanson's demerger plans yesterday were attracting considerably more enthusiasm inside the company than outside it. The group's managers, who learned of the proposal only hours before it was announced on Tuesday, welcomed the opportunity for each division to stand or fall on its own merits.

Mr Bill Landuyt, future chairman and chief executive of the chemicals offshoot, said yesterday: "People like the chairmen of Quantum and SCM would be much more motivated, with their personal wealth linked directly to the performance of their busi-

nesses through share options." On the stock market, how-ever, Hanson's share price fell 8%p to 202%p, more than wiping out its gain on Tuesday. There is thought to have been heavy selling by income funds. reflecting the expectation that total dividends will fall follow-

ing the demerger. The shares were further undermined by downbeat assessments from leading analysts, most of whom calculate the value of the demerged groups at below the current share price.

Hanson's announcement also received a sceptical response from investment managers. One said yesterday: "We have about a 2.5 per cent weighting in the company. We are not very impressed with Hanson. It's totally unclear what is in

this deal for shareholders." He continued: "It gives Hanson a get-out on the dividend. This move reflects the whims of a management on its way out. They have a lot of mediocre quality businesses and it is hard to see how any one of them is going to be worth more on their own."

Another institution said: "There are costs involved - the cost of borrowing goes up, the credit rating goes down." A third commented: "We are very underweight. We have a stake because we have bought a few shares from time to time. but we have never really been able to understand the company. We have never been able

Derek Bonham, chief executive, left, with Lord Hanson before the annual meeting at which the demerger plan elicited few comments we've been able to sell the "Quartered, yes, but not hung

to get the bits to add up to the total. We don't know the valuations of the four companies. Where are they going to dump the debt? Imperial may be a good company, but not if it's carrying all the debt."

Bondholders have been especially wary after US credit rating agencies cut ratings or sig-nalled a possible downgrade. One UK investment manager said yesterday: "We are lucky

bonds. We've been selling down over the past year. The quality of the debt cover will be impaired. Bondholders will be jumping up and down and equity holders aren't exactly over the moon either."

So far, Hanson has told bondholders only: "The balance sheet and funding for each new business will be carefully

suitably balanced financial profile for each company, tak-ing account of its earnings and cash flow characteristics. At Hanson's annual meeting, meanwhile, the demerger plan

elicited few comments. One shareholder asked the chairman: "Now that the bord has decreed that we should be hung, drawn and quartered. does that mean the shares will be too?" Lord Hanson replied:

THE DIVIDEND By David Wighton

## Sector yields imply dividends will fall

An important factor behind the slide in Hanson's share price yesterday was investors' assumption that dividends will fall following the demergers. Hanson has said that each of

the demerged companies would pay a dividend "relative to other companies within its sector and to its financial condition and structure".

Since Hanson's current yield of more than 7 per cent is higher than the average for any of the four companies' sectors, the City has taken this as implying a likely reduction in the aggregate dividend. The only company which

might be expected to have a yield close to the current level would be the energy business. Yields on other UK regional electricity companies range from about 5 per cent to just over 7 per cent for the highly geared Northern Electric.

For the tobacco business the only benchmark is now BAT Industries, which yields only 5 per cent, though that is partly due to its large financial ser-

and drawn".

Another small private inves-

tor told Lord Hanson he fig-

ured it made the shares worth

600p. The chairman said he

could not comment on that val-

uation but, referring to earlier

criticism of the group's all-

male line-up of directors.

added: "I thank-you. If you

were a woman, we'd have you

Analysis suggest something earer 6 per cent for Imperial. The average yield for the rump building materials sector, which accounts for the bulk of the Hanson rump, is less than 5 per cent, while most US-quoted chemicals companies offer no more than 4 per cent

Working through these num-bers suggests that if the four apanies did set their dividends relative to other companies with their sectors total payments might fall by a third. Few analysts expect such a steep cut, but the prospect explains why some income funds have been selling Hanson shares.

## Rumours of their death exaggerated

By Martin Dickson

First America's ITT, now Britain's Hanson. Do the decisions by these two classic conglomerates to break them-selves up spell the death knell of this corporate life form?

The short answer is no, but the break-ups do underline changes in the business environment and investment fashion which mean conglomerates must work much harder than in the 1980s and 1970s to justify their existence. It is difficult to talk of the

conglomerate's death when some of the world's most successful businesses have many of the characteristics of the breed - a collection of unrelated, or loosely related businesses, built up by acquisition.
Take General Electric, with
interests from aero-engine manufacturing to television broadcasting. It has become the largest company in the US, by market value, thanks to a long period of consistently

strong financial results. Hanson, in its classic 1980s form, represented a distinctly different kind of conglomerate: a predatory company with an emphasis on taking over under-performing, preferably low-tech manufacturing businesses, selling on some of the assets and making the remaining operations sweat.

In the UK, the same tag has attached itself to a handful of companies in the diversified industrials sector, notably those run by former employees of Hanson, such as Tomkins, Wassall and TT Group, though each would say its strategy is more focused than Hanson's. That claim would also be made by BTR, with its emphasis on engineering, and Williams Holdings, both of which were extremely aggressive acquirers in the 1980s but have recently been trying to shake off the conglomerate tag by focusing on core busi-

Analysts yesterday agreed that Hanson's decision was due largely to its particular problems: it appeared to lack direction and a clear successor to

had grown too bulky; and it had become increasingly involved in highly cyclical sectors (natural resources and chemicals), while suffering from weak cash flow and a high dividend policy.

However, its fate does underline difficulties for the class as

• Size matters. The larger a conglomerate, the harder it is to find acquisitions which will significantly improve earnings, and to run its existing operations efficiently.

• Investors attitudes have changed. Fund managers tend to focus on particular sectors, while the excitement generated in the 1980s by the conglomerate takeover wave has long faded. Mike Murphy of SBC Warburg points out that Han-son's share price relative to the UK market peaked in 1986, when it was on a premium of almost 100 per cent. Today most conglomerates have price/earning ratios clustered

around the market average. · Companies are more tightly managed thanks to recession, global competition and shareholder pressure, making it harder to find poor performers on which to pounce.

Yet, badly managed companies will never cease to exist, thus preserving a role for the corporate predator. And, as Mr Chris Miller, chief executive of Wassall, points out, a conglomerate's fate comes down largely to the quality of its manage-ment. "Some are successful and some are not. How you manage your portfolio is what is important."

Hanson's break-up could actually help the UK conglomerates, since its poor share price performance has held back the sector's rating. So too could an economic slowdown which highlighted the defensive benefits of their diver-

Says analyst Mark Cusack of UBS: "Its easy to tar the sector with the conglomerate brush, but that-gives valuation anomalies which investors should be able to exploit."

## Break-up value below share price

the stand-alone valuations of Hanson's four businesses at well below the current share

E VALUATION - By David Wighton

Very few brokers reached fig-ures above 200p with some below 180p, compared with yesterday's closing price of 202%p. valuing it at £10.5bn.

Valuations for the four businesses, before debt, are in the £2bn-£4.5bn range for chemicals, £4bn-£4.5bn for energy, £2bn-£3.5bn for tobacco and £2.5bn-£3bn for building materials. After debt of about £3.5bn, post the disposals already announced, this gives a total of £7bn-£12bn.

SBC Warburg, which at yesterday's opening had changed its recommendation to sell, reached a value of 181p.

Moreover, Warburg has not adjusted for the expected rise in the demerged companies' overall tax rate, which several

By Robert Corzine

and Antonia Sharpe

One of the more complicated

corporate relationships in the

North Sea oil industry came to

an end yesterday when Elf

Aquitaine, the French oil com-

pany, and Enterprise Oil, the UK explorer, "reorganised" their lossmaking Elf Enterprise

Elf Enterprise Finance, a

subsidiary of EEP, raised about

£229m from selling its 12.9 per

cent stake in Enterprise Oil to

BZW. Cazenove and Commerz-

bank, which later sold them to

BZW and Cazenove were also

appointed to act as Elf Enter-

prise Finance's agent in the repurchase of £407.8m worth of

exchangeable bonds, the larg-est buy-back of such bonds in

The banks bought the 63.7m shares at 360p each, a discount

of 5.5 per cent to the closing

the sterling market to date.

Petroleum joint venture.

institutional investors.

Elf Aquitaine

Leading analysts yesterday analysts estimate would published research which puts increase from about 24 per cent increase from about 24 per cent now to nearer 27 per cent. On the other hand, Warburg has made no allowance for any of the demerged companies attracting a bid premium. This might push the combined value to 200p.

Mr Andrew Mitchell at Mer-

rill Lynch estimated the break-up valuation at 187p and changed his recommendation from "neutral to modestly negative" at yesterday's opening level of 211½p. He said adding in a bid premium could take the figure to just over 200p. One of the few higher valuations came from James Capel where Mr Paul Beaufrere

arrived at 224p. He was cau-tious about the shares in the short-term, maintaining his "neutral" recommendation, and said he would expect the demerged groups to trade at a slight discount to the valuation

One reason his estimate is higher than most is because of a more generous valuation for the chemicals businesses. Although pessimistic about Quantum's short-term profit outlook, he is more bullish than most about its value. He values Quantum at 11 times historic earnings and the other chemicals businesses at 15 times, giving a total, including debt allocated according to size, of £4bn. NatWest Securi-

ties' most optimistic estimate

for the chemicals company is

\$2.9bm, debt free. Mr Beaufrere has also ignored the issue of Hanson's provisions for environmental claims on the grounds that break-up valuations should be based on published profits. Hanson's provisions result in a cash drain of more than £200m a year but do not affect the profit and loss account. NatWest reduces its total

valuation by between £1.2bn

and £1.5bn, to take these into account, while Warburg, which forecasts cash provision utilisation of £300m this year, takes off almost £2.5bn. NatWest, which moved its

recommendation from reduce to sell, produced a range of valuations stretching from 180p at the high end to just 137p. in the worst case. It concluded that an 18 per cent bid premium to its most optimistic figure - compared with the then market price of 212p · was not justified, given the "limited bid attractions" of the compo-

Particularly disappointing for Hanson may be the valua-tion analysts are attributing to Eastern. Hanson argues that subsequent takeovers in the electricity industry imply it bought Eastern cheaply, but most analysts believe its market value when separated would be less than the £2.8bn, including debt, Hanson paid.

COMPANY NEWS: UK

## and Enterprise

Flotta oil terminal in the Orkney Islands. The two compa-nies will convert their REP

the North Sea assets of Occidental Petroleum

In recent years the new management at Elf questioned whether the joint venture was

the end of the joint venture would substantially ease its debt burden.

in the sale price of the shares and their carrying value of

price on Tuesday of 381p. They then made a profit of about £2.5m by selling the shares to institutional investors in the UK and abroad at 364p each. Elf and Enterprise said there would be no impact on the three North Sea fields operated by REP. Elf will continue to run the Piper, Saltire and Claymore fields, as well as the

RESULTS

a quarter of the shares.

indebted group.

Enterprise said it will make a £25m provision in its 1995 results to reflect the difference

ownership into direct interest

The creation of a joint ven-

a core activity to the heavily-

reorganisation

EEP was formed in 1991 as a vehicle for the \$1.35bn purchase by Elf and Enterprise of

ture was intended to end the uncertainty about Elf's plans for Enterprise, in which it held

Elf yesterday confirmed that

Shares in Enterprise closed 13p down at 368p. Analysts generally welcomed the move, but Moody's, the international rating agency, placed Enter-prise's A3 credit rating under review for potential downgrade because of the £118m of net debt the company will assume because of the demerger.

## Appointee to take responsibility for corporate governance issues

## Warburg chief to head Pru funds

Prudential Corporation yesterday recruited Mr Derek Higgs, managing director of the investment bank SBC Warburg, to chair its fund management arm and strengthen its voice on corporate governance

Mr Higgs will succeed Mr Hugh Jenkins as head of Prudential Portfolio Managers, Britain's biggest institutional investor with £76bn under

Mr Peter Davis, Pru chief executive, said yesterday it would have to be more accountable to the public for its influence in the boardroom.

"We needed someone big enough to talk about corporate overnance issues, telling a FTSE-100 chairman that he shouldn't also be chief executive, or a chief executive that he shouldn't be chief executive, which Derek is big enough to do," Mr Davis said.

Mr Davis said he had decided last year to split the chairmanship of PPM from the fund management responsibilities. Mr Higgs was the only candidate to whom he had formally offered the job.

Mr Higgs said he had not been willing to accept the PPM job last summer, as he did not feel able to leave Warburg in the first weeks after its take-



Derek Higgs, left, with Peter Davis: need to be more accountable

## North American purchases help Allied Textiles rise 11%

A full contribution from North American acquisitions helped Allied Textile Companies buck the sector's trend to raise pretax profits 11 per cent in the year to September 30. While several textile compa-nies have warned that 1995

profits would fall below or in

line with the previous year's

figures, Allied lifted pre-tax

profits to £18.9m (\$29m),

against £17m, on sales un 26

per cent to £211.4m.

tive, said the group was helped by its geographic and product spread. "If the customer wants polyester instead of wool, we don't mind because we make

Operating profits from textile activities increased 12 per cent to £16.5m. Profits from the property portfolio added £2.4m, virtually unchanged from last

Mr Corrin said £30m of the sales increase was due to a 12 month contribution from 1994's

as opposed to seven months last time. Overseas sales, which rose to 52 per cent (43 per cent) of turnover, outstripped UK sales for the first time. The group's first published sectoral breakdown showed that the natural fibres division group. Samuel Montagu, the mersuffered margin pressure from

However, profits in synthetic

fibres rose 36 per cent. Profits

in the carpet division, which

incurred £400,000 redundancy was possible there would be further talks.
Lloyds is already the subject of an agreed £528m (\$813m) takeover bid from UK drugs wholesaler UniChem. Yester-

## Ashanti stake sale

The government of Ghana is \$20m - but the government

day it advised shareholders UniChem offer until Gehe had decided whether or not to table a rival bid.

Gehe holds

talks with

Lloyds

By Patrick Harverson

Lloyds Chemists, the pharm-

aceuticals retailer, has held

"friendly" talks with Gehe,

the German drugs wholesaler

which is considering whether to make an offer for the UK.

chant bank advising Lloyds, said the discussions with Gehe

had been amicable and that it

seeking parliamentary approval to sell part of its 28 per cent holding in Ashanti Goldfields, privatised in 1994. It was unclear how many shares would be sold – each I per cent would raise about

has assured Ashanti that it

wants to retain more than 20

## LEX COMMENT Alliance Leicester

Alliance & Leicester may claim it is pushing through its conversion to bank status, ahead of the Halifax and the Woolwich, because of enthusiasm for the project. But equally pressing is the need to lessen its exposure to predators. After flotation, new banks have five years of takeover protection. If they have not achieved critical mass by then, they will be sitting ducks. The decision to go public will not necessarily forestall hostile approaches before conver-

Alliance & Leicester Pre-tax profits (2m)

sion. It would be hard for Source: Alkance & Leicester any management to turn down a substantial premium to the group's flotation price. The prospect of paying more than two times book value will certainly discourage potential suitors, but A&L's diversification - more than 40 per cent of its business is non-core makes it one of the more attractive targets.

It one of the information to large structure largers.

Its Girobank subsidiary is a possibly undervalued gem. The market leader in cash-handling services – its retail business having been subsumed by the building society – Girobank generated pre-tax profits of nearly £70m in 1994. It could be sold as a separate business, helping to finance a take-

And although the society is well run, its 68 per cent cost/ income ratio leaves plenty of room for cost-cutting.

This is the nub of the problem for all the societies. With core markets stagnant, financial services businesses need to boost earnings by cutting costs – which is much easier through consolidation. Medium-sized societies like A&L face a tough fight for independence.

## Fyffes rises despite banana price war

By Deborah Hargreaves

Fyffes, the Dublin-based fruit and vegetable distributor, boosted pre-tax profits by 16 per cent from 1636.1m to 1642m (\$67m) last year, in spite of being caught in a retail price war for bananas in the second

Fierce competition between supermarkets pushed the price of bananas down to 19p per lb late last year - nearly half the cost price. Fyffes jointly acquired the

banana operations of its rival Geest three weeks ago and will complete a strategic review of these operations in six to eight weeks' time. The joint venture set up with

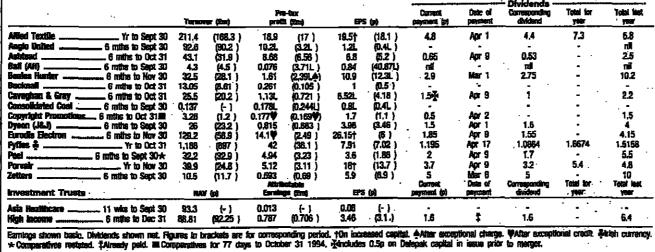
the Windward Island Banana

Development Company was

considering options for the two

and Scandinavia. The company pointed out





large ships which came with the £147.5m buy and a farm in Costa Rica. "We may not just sell the ships, but swap them for something of a different size," said Mr John Ellis, man-

aging director of Fyffes UK. The Geest deal was the latest in a line of acquisitions pursued by Fyffes in the last 18 months towards becoming an important competitor in the fresh produce market in Europe, particularly in Germany, the Netherlands, Spain

that cash flow had remained strong. Last year it was boosted by I£15.7m to I£68m from the sale of Vangen, its logistics business. After the purchase of the Geest operations, net cash will reach about 1£35m this year.

## ACCESSING THE US CAPITAL MARKETS

## Only in America are resources this deep

The world's biggest economy boasts the most flexible and liquid pools of corporate funding. But foreign issuers have to adapt to suit US investors, not vice versa, writes Maggie Urry

famous US bank rob-ber, was once asked why he robbed banks. Because that is where the money is, he

Comment of

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The same answer might be given to companies or borrowers wondering why they should seek to tap the US capital markets. The Securities Industry Association estimates that the US capital market is the larg-est in the world, with issued debt and equity, both public and private, worth more than \$15,000bn.

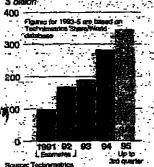
It is a particularly auspicious time to raise capital in the US. American stock and bond markets rallied strongly last year. encouraged by declining inter-est rates and the prospect of further falls. Yields are relatively low, price/earnings multiples are high, and new issues of debt and equity have been well-received.

US investors are increasingly diversifying their portfolios outside America, believing that domestic markets cannot repeat their 1995 performance in 1996. And they are trying to find better value than is avail-

able from domestic issuers. Thus there is good demand in the US for paper from foreign entities. On the other side of the equation, many of the latter have a great need to

raise capital. Businesses located in developing countries, for instance, often find their own markets cannot meet their need for cash. Mr Alvaro de Souza, executive vice-president in charge of Citicorp's cross-border finance group, says: "The on-going need for capital in the emerging markets cannot be met domestically."

US investment in foreign



He adds that emerging market issuers raised \$69bn in capital markets outside their home countries in 1995, showing there is "continued investor appetite" for these capital raisings. This is despite the economic problems Mexico faced at the end of 1994, which precipitated a crisis that investors are only just beginning to

forget. The worldwide trend for the privatisation of state-owned assets has driven many companies to sell their shares in the US and other international markets. Few domestic markets can supply the large amounts of capital it takes to buy a national telecomunications company from a government, for instance - at least not at a price which represents

good value for taxpayers. In 1995 privatisations accounted for 42 per cent of the capital raised through issues of American Depositary Receipts, according to statistics from Citicorp. The leading issuers included ENI, the Italian oil and gas group, SGS-Thomson Microelectronics, the Franco-Italian semiconductor maker. KPN, the Dutch post and telecoms company, and Telefónica de España, the Spanish telecoms group. This year's privatisation of the German telephone utility Deutsche

Telekom is expected to be a blockbuster. The surfeit of state sell-offs. especially of telecommunications groups, is beginning to tire investors. Last autumn Indonesia's PT Telkom had to scale back its offering because of poor demand. It will be interesting to see how Deutsche Telekom's issue is

received. Emerging country issues and privatisations aside, a good range of private companies from developed nations are seeking to sell shares or to

raise debt in America. They often believe that a US listing will broaden their shareholder base and increase the valuation of their stock. That reduces the future cost of issuing new equity, and of thing an acrisition in which the issuer uses shares to pay

for the purchase. Research by Professor René

fillie Sutton, the Stulz of the Ohio State University suggests companies can raise money more cheaply if they have a US listing. In an article for the Journal of Applied Corporate Finance. Professor Stulz asserts: "The progressive integration of international financial markets is bringing about a significant reduction in the cost of capital to public corporations around the world."

Professor Stulz studied the effect of the removal of restrictions on foreign ownership of Nestlè shares in 1988. After the Swiss foods group allowed foreigners to buy its stock, the price soared, and Professor Stulz found Nestle's market value showed "an increase of 10 per cent, which is consistent with a significant decrease in its overall cost of capital".

s non-US companies head for the American stock markets there has been a rise in the number of companies listed there. The number of foreign companies listed on the New York Stock Exchange has doubled in the last three years.

Even so, Mr Richard Grasso chairman of the NYSE, regards foreign companies as providing the greatest potential for growth in listings on the Big Board. He says that if a third of all those non-US companies which are eligible to list on the NYSE did so, then the exchange's market capitalisation would double from its cur rent \$6,000bn.

The three US stock markets are each aiming marketing campaigns at non-US companies, eager to offer them the chance to sell shares to Ameri-

can investors. Companies unwilling or unable to register with the Securities and Exchange Commission and achieve a listing on either the NYSE, the National Association of Securities Dealers Automated Quotations (Nasdaq) market or the American Stock Exchange can join the so-called "pink sheets" market, the OTC Bulletin board, or resort to private

placements of equity. The US markets also have advantages for those seeking debt rather than equity capital Many companies with American subsidiaries use them to raise dollar debt to hedge their dollar assets. Other borrowers use the swaps market to convert low-cost US debt into cheap borrowings in their

home currency. The country's debt markets offer greater flexibility in structuring issues than many counterparts. Investors in the US domestic bond market are prepared to buy foreign issues of debt securities - known as Yankee bonds - with a wide range of maturities, making it easier for borrowers to tailor issues to their own special

requirements. Recently the People's Republic of China sold a \$100m 100year Yankee bond offering. which given that country's recent turbulent history demonstrates US investors' accommodating nature.

Borrowers can also use the private placement market to issue debt with longer maturities than would be available from more traditional sources. And they find that investors are willing to make the effort to get to know an unfamiliar

company. The gains are not without costs. The price non-US entities pay for getting access to the world's largest capital market is a readiness to conform to

US investors' expectations. Disclosure is the most obvious area. Reporting requirements in the US are often very different from those in an issuer's home country, and some are unwilling to release the required information. While there has been some easing of regulations, many US investors prefer to see companies accounts drawn up using US

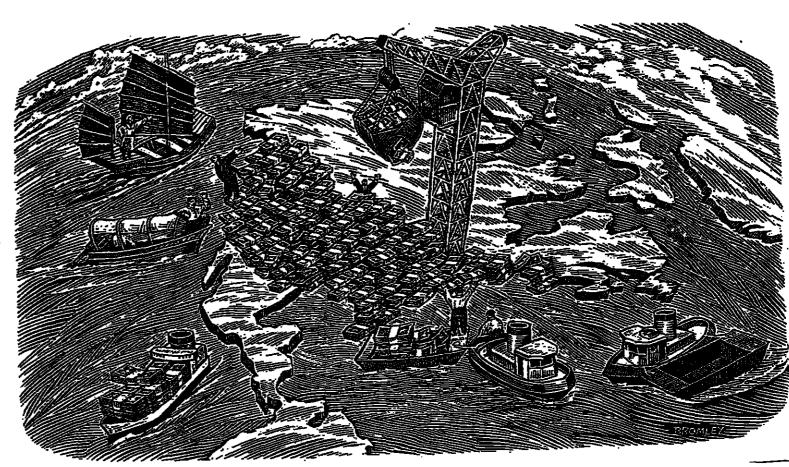
standards. Mr Ron Corwin, executive vice president for marketing at the American Stock Exchange, says: "A relatively modest number of companies have been willing to do what needs to be done to comply with the reporting requirements of the SEC. But it is an increasing

number." A recent survey of US institutional investors' attitudes to investing abroad by Broadgate Consultants, an international corporate and capital markets consulting group, found most plan "to increase overseas investments substantially over the next twelve months"

It discovered that 92 per cent of institutional investors think quarterly reporting is critical or important to their analysis. Further there is an increasing concern about corporate governance practices - 86 per cent of investors think that non-US companies do not pay enough attention to issues of corporate governance and shareholder

Mr Bill Jenks of Broadgate adds that respondents indicated that they like non-US companies to have an American depositary receipt facility. even if they buy shares in local stock markets rather than ADRs themselves. He says an ADR facility demonstrates a commitment to US investors on the part of a company.

Commitment from both sides issuers and investors – can create a profitable alliance.



## DEPOSITARY RECEIPTS

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■ Yankee bonds: by Antonia Sharpe

## Hard work prevails

Persevering issuers open up a path to a deep and dependable source of capital

Jumping into the Yankee bond market - the US domestic bond market for foreign issuers is daunting, but according to those who have taken the plunge, it is well worth the

Would-be issuers must meet several requirements before they can tao the US public debt markets. The most important is to register with the US Securities and Exchange Commission (SEC), which requires the issuer to reconcile its accounts with US accounting standards. Companies also need to get a credit rating from two leading credit rating agencies to satisfy US investors.

Over the past few years the SEC has encouraged more foreign issuers to come to the Yankee bond market by making the registration process less onerous. The body now gives greater importance to



Working for the Yankee dollar: Ray Curran of Jefferson Smurfit

standards laid down by the issuer's national regulator, for

Since the registration document contains a lot of new information which could be sensitive in the issuer's home market, the SEC allows the issuer to make a "confidential" listing - details will only become public once it is ready to go ahead with its debt offer-

The greater flexibility of the SEC has boosted the volume of Yankee bond issuance. According to data from Merrill Lynch, the US investment bank, volume rose from just over \$12bn in 1990 to \$28.7bn in 1993, when many companies used the bull run in the bond market to ing debt cheaply. Issuance dropped to \$15.8bn in 1994 but picked up again to \$22.2bn last

Some 54 per cent of total issuance in 1995 was raised by industrial companies, 23 per cent by financial companies and the rest by supranational or government agencies.

Despite the SEC's relaxation of listing requirements, prepar-

Yellow M.

eurobond market.

rating of below double A find it

difficult to raise funds in the

In the case of Smurfit, which

has a rating of A minus from

Standard and Poor's and Baa1

from a competing agency,

Moody's, the size of the offer-

ing it planned would not have

been possible in the eurobond

market, so it went to the Yan-

kee bond market instead.

long-dated

paper is keener

than in Europe

the Continent it would have to

pay a hefty premium to access

issuers once had to pay when tapping the Yankee bond mar-

ket has disappeared, says Mr

Bob Hugin, the managing

director in charge of debt syn-

dicate at JP Morgan in New

York. Over the past year the

bank has arranged Yankee

bond offerings for Legrand, a

French electrical group, and

for Dresdner Bank, Germany's

In Mr Hugin's view, the

increasing popularity of the

Yankee bond market is due to

the desire of US investors to

geographically diversify their

credit risk. "They are looking

to build up a more diversified

credit portfolio," he says. He

adds that the improvement in

technology and communica-

tions means that US investors

have become more comfortable

with foreign issuers than in

ture of their debt. Although

market over the past year, they

are still rare features. In con-

trast investors in Yankee

bonds are used to buying

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future more foreign companies

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Bankers believe that in

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The small premium foreign

the market.

ing a registration document still involves a significant amount of work. Mr Ray Curran, chief financial officer of Jefferson Smurfit, the Irishhased international paper and packaging company which made its debut in the Yankee bond market last year, describes the whole process as "time-consuming, complex and

expensive".

The benefits which result from being able to tap the world's most liquid bond market make it all worthwhile, he says. "If an issuer is looking for debt of longer than 10 years, it is worth the effort," says Mr Curran. "If it is looking for debt with a maturity of 20 or 30 years, the Yane bond market is definitely

the only place to be." Smurfit raised a total of \$600m through two Yankee bond offerings, with maturities of 10 and 30 years, to refinance bank debt taken out to buy a French paper company.

Mr Russell Chambers, a director at Merrill Lynch which arranged Smurfit's offerings, says issuers can sell bonds with very long maturities in the Yankee bond market because of the depth and liquidity of the US public debt markets.

Century bonds have been the latest theme in the Yankee bond market, adds Mr Jonathan Hakim, a managing director at Lehman Brothers in London. This month. Lehman arranged a \$150m offering of 100-year bonds for Tenaga, the Malaysian electricity company.

By contrast the appetite for long-dated bonds in Europe is far more limited. Retail investors in the eurobond market are generally reluctant to buy bonds with a maturity of more than 10 years.

The dominance of institutional investors in the Yankee bond market means that it is much more dependable than the eurobond market where sentiment towards the various by foreign exchange and domestic bond markets. "The Yankee bond market provides funding for companies day in and day out," says Mr Cham-

Another advantage which the Yankee bond market has over the eurobond market is the access it provides to issuers with lesser credit ratings. Most companies with a credit Shares perform better than bonds

method faces competition from traditional private placings of debt

■ The Rule 144A market: by Maggie Uny

In the 1970s and 1980s the Securities and Exchange Commission, which regulates American securities markets, believed that if foreign companies wanted to tap US markets they would have to play by the same rules as local issuers. That meant going through the long and expensive process of registering an issue with the SEC, and thereby revealing information which many non-US companies had not published before.

By 1990 that attitude had changed. The SEC realised that a number of non-US issuers were turning to other markets, such as the euromarkets, to raise both debt and equity capital and the US was losing business as a result.

In addition eurobond inves-It was in that year that the tors often buy bonds purely SEC passed Rule 144A, which because they recognise and allowed non-US companies to respect the issuer's name. If a issue debt or equity in the istering it. The paper had to be The appetite for sold to qualified institutional buyers (Qibs), who could then trade their holdings with other Qibs in the secondary market. And after two years, unregistered securities could be sold in the public markets. company is not well-known on

The supposedly liquid after market produced by the Qibs was meant to increase the range of investors who would buy the paper and, in turn, make it easier for foreign issuers to raise capital.

The Qibs had to be large investors, in most cases managing assets of over \$100m, who were expected to be sophisticated enough to look after themselves in terms of appraising issuers and the value of securities.

Since 1990 the 144A market has grown in fits and starts. According to Mr Stephen Schechter, a managing director at Schroder Wertheim, a leading investment bank in the sector with \$5.5bn of cross-border private placements to its credit, the philosophy of Rule 144A was excellent - to attract high quality foreign issuers to

This financing Top 20 managers of 144A private placements 1995 Value (Sm) No. of deals Merrill Lynch SBC Warburg 1,528 1,363 Goldman Sachs Salomon Brothers Lehman Brothers JP Morgan

Morgan Stanley CS First Boston Bear Steams BZW/Barclav .11 Donaldson, Luflön, Jenrett Deutsche, Morgan, Grenfell **ING Barings** 14 Smith Barney Banque Paribas 18 Prudential Securities 19 HSBC Group

For equity issuers, he says, the 144A market is alive and well and working beautifully". However, for debt issuers, he says, the market has only really come alive in two areas: the high yield sector and the larger investment grade area, by which he means issues of over \$150m.

In other areas he judges that the 144A market has not taken off. There is not much pricing differential between the traditional private placement market and the 144A market, and the extra cost of having an issue rated by the credit rating



benefit of a lower yield.

Mr Stefan Shaffer, president of SPP Hambro, the leading arranger of European private placements in 1994 and 1995, agrees that the traditional private placement market is still the place for debt issues. The main buyers of the paper are insurance companies, which have had a lot of cash to invest in recent years. They are essentially buy and hold investors, looking to match their long term liabilities with long term assets. Although they can trade the paper even without the 144A rule, they generally

Mr Shaffer says that there is so much liquidity available from buyers of traditional private placements that it has not been necessary to tap the other buyers attracted to the 144A

One of the largest buyers of private placements, Cigna, the insurance group, invested \$2.5bn in the market last year. Mr Malcolm Smith, who is in charge of private placements at Cigna, says that insurance companies currently have "a tremendous amount of cash to invest". In recent years, he adds, approaching one third of issues in the private placement

non-US issuers. The number of issues in the 144A market contracted somewhat in 1995. Cigna put 10 per cent of its private placement money into that sector com-

market have come from

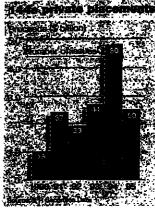
pared to 17 per cent in 1994. High liquidity combined with a general decline in US interest rates over the last year has made the US market an especially attractive place for non-US issuers. Many of them have subsidiaries in the US and wish to hedge their dollar assets with dollar borrowings. Others swap the proceeds back into their home currency.

The market is receptive to issues from companies which are not household names in the US, and can be a worthwhile source even of remarkably small sums of money. Anglian Water, of the UK, for instance, recently raised \$10m through a 144A placement.

Mr Schechter cites the example of an issue he arranged for HP Bulmer, the British cider company. Although the business was as unfamiliar to US

alcoholic, apple-based drink, Bulmer was able to raise \$45m through tranches of 7 and 10 year paper at an interest rate cheaper than for a five-year bank facility. Four insurance companies bought the entire

Another borrower Mr Schechter is proud of baving brought to the US market is Macmillan, the book publisher. As a private company, Macmillan had few sources of long term finance, but was able to



of another UK company Shandwick, the public relations firm, which last month placement, even though it is a people business" and therefore lacks the asset backing some lenders look for. The deal was sold on the company's ability to generate cash flow, and it improved the company's UK borrowing profile too.

be transacted through the National Association of Securities Dealers' Portal system which stands for Private Offerings, Resales and Trading

Schroder Wertheim also trades 144A bonds, but finds that few change hands. An example he gives is of Rank Organisation. which has issued a total of \$800m of bonds over recent years. Mr Schechter says less than 10 per cent of the total has been traded, and then only between the 26 institutions which were the original buyers

**Accounting:** by Richard Waters

#### The world according to US GAAP The Yankee bond market provides issuers with a great deal of choice about the struccall and put ontions have been

Foreign companies find conforming with America's accounting

rules so irksome that many avoid its markets

Daimler-Benz's arrival on the New York Stock Exchange (NYSE) in 1993 was meant to herald a new dawn. The first German company to come

to the public equity market in the US, the car and aerospace group seemed at the time to be blazing a trail that others would follow. Its willingness to bow to the US's securities regulations including its accounting and disclosure rules - marked a breakthrough in trans-Atlantic financing.

The elation proved short-lived. For the first half of 1993, Daimler-Benz reported an after-tax profit of DM168m (\$155m) - at least, under German accounting rules. Applying US generally accepted accounting principles (US GAAP) turned this into a loss of DM949m. That was followed by a bigger loss for the full year, as the company moved to clean up its balance sheet.

The discrepancy in accounting treatment provided a strong reminder of just how dissimilar national accounting rules remain, while failing to endear the company to US investors.

These events may have discouraged other foreign businesses from tapping the US stock market. According to officials at another German company that had considered a New York listing, Daimler's problems cast doubts over the credibility of German accounts and made it hard for others to follow in its

footsteps.
"It was unfortunate," concedes Mr James Cochrane, senior vice president of economic research at the NYSE, of Daimler's accounting difficulties.

Daimler is not alone. Mr Arthur Levitt, chairman of the US's Securitles and Exchange Commission (SEC), commented recently that many foreign companies - particularly those from Europe - lack the openness of US counterparts. He was speaking shortly after Nokia, the Finnish telecommunications group, shocked US investors with a profits warning.

Differences in national accounting rules are one aspect of the problem, says the SEC chairman, who criticises some companies for being "chanvinis domestic accounting regimes. There is, he adds, a broader question of the "cultural differences" that complicate attempts by foreign companies to go public in the US.

Cultural and political rivalries inform the whole debate on international accounting, making it one of the thorniest issues in the development of international capital raising.

Differences in national accounting and disclosure regimes has belped keep companies from countries like Ger nany and Switzerland away from the

US capital markets. The London Stock finance, suggests Sir Bryan Carsberg, take about it: any nation that is expectcompany that complies with International Accounting Standards, has long had an advantage over its US rivals in

attracting foreign corporations. Under Mr Levitt the SEC has made some concessions. It recently agreed to accept cashflow statements drawn up in accordance with International Accounting Standards Committee (IASC) rules and to allow companies to use IASC guidelines when determining whether or not they can use pooling to account for a business combination.

The requirement to comply with US GAAP remains a daunting obstacle for many foreign companies, the most visible symbol of the gulf that separates the US and European capital markets.

The chances of that chasm being bridged are better, however, than they have ever been. A year ago the IASC won a commitment from an international grouping of securities regulators including the SEC - that could make international accounting standards the vehicle for entry to US markets.

If the IASC can achieve the considerable task of tightening its current set of rules, regulators around the world have promised to accept accounts which follow international standards for listing purposes. In effect, that would open up three national markets which do not accept IASC standards: the US, Japan and Canada.

The IASC provides a forum for continental European companies which want to raise capital internationally particularly in the US - but do not want to play by the rules of American

"Germany and France are not going to let the US write their accounting rules for them over the long haul - they want a seat at the table," he says.

A growing number of German, Swiss and French companies have already started to issue financial statements which comply with IASC rules. One effect, say advocates, has been a greater appetite for their securities outside their domestic markets.

Ciba Geigy, for instance, has said that it believes international-style accounts have helped lift its share price. Mr Paul Brunner, a manager at Coopers and Lybrand (C&L), says: There was a high premium for uncertainty because no-one understood Swiss accounts "

The latest breakthrough for the cred-ibility of the IASC's body of rules came late last year with a decision by Deutsche Bank to use international standards. The internationalists of the accounting world now hope that Deutsche Telekom will follow suit.

The shift to IASC standards would also get a big boost if, as they have intimated, legislators in Germany and France move to allow companies to use international standards for domestic

That does not mean that the IASC is about to provide a back door into the

Mr Levitt, for one, makes it clear that the US is not about to take a less stringent approach to foreign compa-nies. "I am committed to international

standards," he says. "But make no mis-

standards is making an error, because that will not be the case."

Mr Levitt says that he has "no particular allegiance to US accounting standards merely because they are from the US," but adds: "They are the best, most revealing in the world." The IASC, for its part, is equally ada-

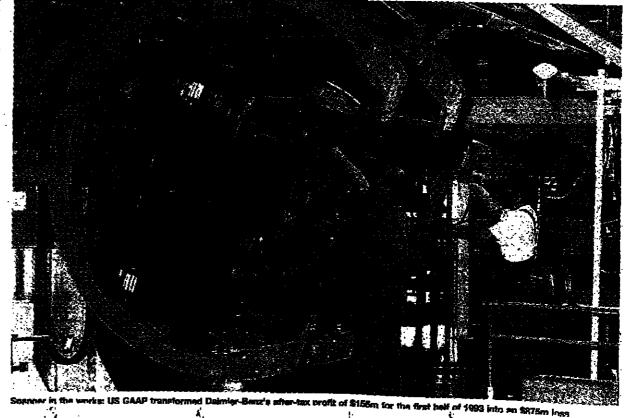
mant that no easy compromises lie ahead. "We're not, of course, looking for our standards to be a soft option, says Sir Bryan. All of this points to some heated

accounting battles ahead. The greatest debate is likely to centre on the areas which, traditionally, have divided nations: how to account for the goodwill that arises on an acquisition, for instance, or the level of segmental information a company should provide. Newer areas like disclosure of deriva-

tives holdings will also consume much ergy, as will pension accounting - a field where different tax rules, funding requirements and actuarial practices make consistency difficult to achieve. The IASC has set itself a five-year

timetable to achieve its goal. To get there, it will need more resources - Sir Bryan wants to lift the committee's budget from £1.1m a year to £1.75m. Mr Brunner at C&L says: "The work plan is quite aggressive - when you're talking about change on a world scale, 5-10 years isn't so long."

Meanwhile the US stock markets seem unlikely to see a sudden floor of continental European listings. But, says Mr Levitt: "Five years from now, this period will seem an aberration."



raise money more cheaply and for a longer period in the US. Mr Shaffer gives an example completed a \$40m private

Trading in 144A issues can through Automated Linkages. Mr Schechter says that

The Financial Times plans to publish a Survey on

# American nvestment

on Monday, March 25.

It is not yet clear whether the Mexican financial crisis represents a short-term disappointment or a more fundamental setback to the region's long-term growth prospects. This survey will review the issues and policy responses to the crisis, and the prospects for foreign some companies for being consultant to budge from their investment in Latin America.

For more information on advertising opportunities in this survey, piease contact:

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**FT Surveys** 

Stock exchanges: by Maggie Urry

## battle for foreign issuers' favour

Three markets share a single goal: to win the most listings from non-US firms

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The growing interest being shown by foreign companies in listing their shares in the US has prompted American stock markets to target them as a source of growth. The exchanges are engaging in a marketing battle to increase their share of the available

Mr Richard Grasso, chair-man of the New York Stock Exchange, believes non-US companies have far greater potential to add to the number of concerns listed on the 'Big Board" than US counterparts. He sees the NYSE becoming "a global institution in the full sense" when it captures 450 to 600 foreign listings, enough to give it the critical mass to create and test products and services for the global investor. At present the NYSE, which

had a market capitalisation of stringent than those of the nearly \$6,000bn at the end of 1995, lists around 250 non-US companies among its total of 2,700 companies. More than half of those 250 joined in the last four years. Trading in foreign shares now accounts for around 12 per cent of total NYSE volume, with some of them - such as Telefonos de Mexico - among the most

actively traded stocks. The other exchanges have also spotted the opportunity for growth that non-US listings present. Strictly speaking, only the NYSE and the American Stock Exchange (Amex) are regarded as exchanges. The National Association of Securities Dealers Automated Quotations (Nasdaq) market is an over-the-counter market. Companies can also see their shares traded on the so-called "pink sheets" market operated

The NYSE is regarded as the most prestigious exchange, with most of the largest US companies listed there. Its listing criteria are much more

Although its criteria for list-

Amex and Nasdaq markets and the cost to the issuer is several

Ms Catherine Kinney, group executive vice president in charge of listings at the NYSE, says the exchange has for many years been targeting non-US companies. It has established offices in London and Paris, and identified and approached concerns which would qualify to list on the Big

#### Smaller markets may cater best for smaller companies

The NYSE believes it offers the "finest equity market in the world" she says, and many large companies are attracted to it because their peers are already listed there.

Nasdaq, which is the second largest market in the world after the NYSE, is equally determined to win new companies. Although its market capitalisation is lower than the NYSE's, at \$1,150bn, it lists more companies – over 5,000 – of which 350 are foreign.

ing are less stringent, Nasdaq

points out that many of its largest companies - businesses like Microsoft. Apple Computer and intel - are well-qualified to move to the NYSE but choose to stay with Nasdag. Ms Ellen Hipschman who

runs Nasdaq's international marketing efforts, argues that Nasdaq is not a "junior market". Although the average company listed there is smaller, the level of regulation is the same. Nasdao has a reputation for listing high-technolone stocks, to the extent that some non-US companies seek a primary listing on Nasdaq before floating shares in their home country, because they feel the US investor base is more sophisticated when it comes to evaluating information technology companies.

Ms Hipschman argues that Nasdaq offers more support to non-US companies whose Shares are traded there A director is assigned to look after each company. Listed concerns are featured in a Nasdaq magazine, which is sent to fund managers, and the exchange organises conferences and seminars at which top management can meet investors. The marketmakers are usually broking firms which also publish research on the companies and run sales

The Amex is smaller again, and lists only 20 non-US companies. Its speciality is healthcare companies, with names like Medeva of the UK on the list. Mr Ron Corwin, executive vice president for marketing at the Amex, echoes Nasdao with the claim that the Amex offers companies more support than

the NYSE. Although he admits the largest companies will have higher visibility on the NYSE, smaller groups fare better on the Amex, he says, Mr Corwin believes that the conferences and investor relations workshops organised by the exchange help companies to communicate with Wall Street.

Part of the argument between the markets concerns trading methods. The NYSE and Amex are auction markets, where buy and sell orders meet through a single "specialist" dealer to set the price of a security. Nasdan by contrast. is quote-driven. Competing marketmakers post the prices at which they are willing to trade on computer screens. which also show the best buy and sell prices available.

system, which is similar to that used in the UK markets since the Big Bang ten years ago, claim competition between marketmakers to win

400 An important issue for the

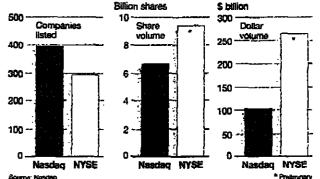
exchanges is Whether to expand into non-dollar denominated listings. At present the shares of most non-US companies shares are quoted in the form of American depositary receipts (ADRs), which are denominated in dollars. Mr Grasso has raised the idea of trading in a company's ordinary shares in the currency of its home market. If the NYSE moves that way the other

exchanges are likely to follow. Ms Kinney says the NYSE is begin by the end of this year. Between 5 and 10 shares will be traded in their ordinary form beside the ADRs.

Although ADRS are useful for companies from emerging markets, Mr Grasso suggests the bulk of trading in a foreign company is likely to be in the form of ordinary shares in future. For the NYSE to increase its share of a company's stock trading it needs to list the ordinary form too. The NYSE may also extend its trading hours to accommodate foreign companies and investors.

If the plan is successful it will be a step along the road to a truly global stock market matching the increasing internationalisation of many issu-

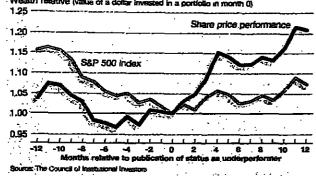
Foreign shares traded on the NYSE and Nasdag 1995





Screen test: Nasdaq dealers compete to post the keenest share prices

## Performance of activism targets



**Corporate governance:** by John Plender

## **Investors** eager to call the tune

Campaigners for shareholder value have foreign companies firmly in their sights

Ten years ago shareholder activism was a less familiar feature of US capital markets than of UK counterparts. reversed. Both institutional investors and individual shareholder activists in the US have. brought about significant changes in the boardrooms of cading American companies. Such interventionism, often conducted noisily and publicly. is now beginning to spill over into European markets, as US investors diversify their portfolios overseas.

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Concern over corporate governance issues in the US is in part a response to criticism of big shareholders' lack of success in preventing managerial failure at companies in which they had invested. It is made possible by the growing institutionalisation of the US equity market and encouraged by the growth of indexed funds, where the sale of shares

#### A few shareholder activists wield huge power

is ruled out as a response to poor corporate performance. Yet these are now common factors between the US and the UK. If approaches to corporate governance in the two countries contrast, it is probably ducto differing legal frame-works and cultures.

A relaxation in 1992 of the Securities and Exchange Commission's rules on communication between shareholders has opened the door to quick proxy protest campaigns and to greater disclosure of boardroom pay. Equally importantly the US Department of Labour's guidelines require proxies to be voted on all issues that might affect the value of a pension scheme's investments. While some fund managers continue to vote on a knee-jerk basis to support the board, many argue that compulsory voting has had a consciousness-raising

effect on behaviour. According to a recent survey by Russell Reynolds Associates and The Wirthlin Group, shareholder contact with the boardroom has been growing and more than two in five institutional investors have conveyed opinions directly to company boards. But while many institutions have voted in favour of shareholder resolutions few

have actually sponsored one. That perhaps gives the lie to the idea of widespread public intervention. Most US institutional investors prefer to delegover to fund managers, for whom activism may appear an unattractively highprofile and costly business.

The most spectacular recent corporate governance reforms have come from a small group of public pension funds and private activists. Eastman Kodak's sale of its

chemical business and its subsequent change of chief executive officer, for example, were prompted chiefly by the California Public Employees Retirement System (Calpers) and the ees Retirement System. Retailer Sears Roebuck's divestment of its financial interests came after pressure from veteran activist Robert Monks. And a controversial restructuring plan at retailer Kmart was thrown out thanks to pressure from the State of Wisconsin Investment Board.

Yet if the visible proponents of activism are relatively small in number, the strength of the governance bandwagon should not be underestimated. The Council of Institutional Investors, which speaks for pension funds with more than \$800bn under management, enjoys an increasingly high profile as a corporate monitor.

Unlike comparable bodies in Europe, it has, for the past four years, published a list of underperforming companies. The council's members are then encouraged to apply pressure. usually privately, to the corporate boards in question. Calpers follows a similar policy, although here monitoring and gingering are conducted by the same organisation. How successful such institu-

tional productivity chasing has been remains controversial. Academic studies do not come to uniform conclusions. Yet Calpers is in no doubt that activism enhances the fund's returns. A survey commissioned from Wilshire Associates found that shares of 42 underperforming companies targetted by Calpers had outperformed the S & P 500 index by more than 40 per cent in the five years that followed the ini-

tial action. A study in August 1995 for the Council of Institutional Investors revealed superior average share price performance by 97 companies against the S&P 500 in the year after appearing on the council's hit list. It confirmed improved performance against other yardsticks such as earnings growth.

Meantime Calpers has shocked corporate Germany by showing itself prepared to raise questions at annual general meetings. Other US investors have campaigned on shareholder value issues in France, though to no great effect so

Yet US influence is set to increase in Europe, partly because Department of Labour guidelines require pension funds to vote overseas as well as at home, but more fundamentally because many European companies want access to US capital, Improved disclosure, monitoring and governance are the price that US investors exact for this accom-

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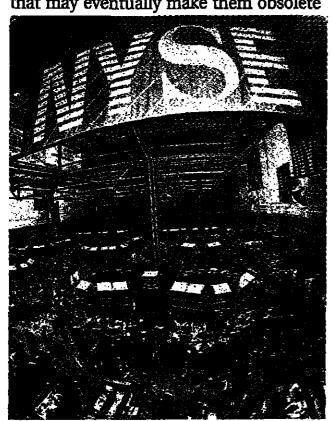
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## **4 ACCESSING THE US CAPITAL MARKETS**

American depositary receipts: by Maggie Uny

## ess could bring extinction

Demand for foreign shares has boosted ADRs while hastening listings reforms that may eventually make them obsolete



In 1993 shares in Glaxo - a UK company - were the most actively traded equities on the New York Stock Exchange. Some 275bn American depositary receipts (ADRs) in Glaxo changed hands and by the end of the year over 350,000 US investors had a stake in the British pharmaceuticals business. Following the merger between Glavo and Wellcome over 10 per cent of the com-<u>bined</u> company's shares are

held in the US. Depositary receipts have come a long way since they were invented in the 1920s. American depositary receipts have been joined by global, European and other varieties, but they all have the same function of allowing American investors to buy and sell for-

Trading in ADRs on the New York Stock Exchange, American Stock Exchange and the Nasdaq over-the-counter market has grown rapidly in recent years. In 1985 the value of ADRs traded in the US was \$24bn. Last year it reached \$278bn, a more than tenfold increase in 10 years.

The amount of capital raised was on an unward trend too. record year in 1994. According to Citicorp, non-US companies raised \$11.5bn in 1995, comShares traded (billion) Trading volume of listed ADR program Value of shares traded

pared with \$20bn in 1994. The drop reflected a sudden halt in issuance by Latin American companies following the Mexican currency crisis at the end of 1994. Activity picked up sharply in the second half of 1995 and many predict that 1996 will be another strong

Depositary receipts are tradeable securities which represent underlying equities. They are created when the bought on its home stock market and deposited with a custodian. The investor is then issued with a receipt for the shares on deposit - hence the name. That receipt can be traded, or cancelled if the

underlying shares are sold and delivered from the custodian. The advantage to US investors of ADRs is that they are just like American shares. Dividends are paid and prices quoted in dollars, and deals are struck on American exchanges

Investors should not be misled into believing that buying ADRs allows them to avoid currency market risks. The price of the ADR reflects the domestic currency price of the underlying shares translated into dollars.

Arbitrage between ADRs and ordinary shares ensures that

set up without the backing of the company concerned. These days almost all ADRs are sponsored by the issuer of the

underlying shares. Mr Kenneth Lopian, senior vice president at the Bank of New York, says the custodian bank can provide important services to the company - such as maintaining a register of US shareholders and handling div-

idend payments. Many advisers suggest that companies establish an ADR facility before they consider raising US cash by selling ADRs backed by new shares. But in some instances, such as the privatisation of a company which has not been publicly owned before through a global offering, an ADR facility has to be set up as part of an issue.

ADRs have proved popular with many US investors, giving them a chance to buy shares in companies from around the world, including those from emerging markets (see stories on this page for details of three of these). Without the problems of dealing with local currencies and setand settled according to US lement systems.

Some investors are restricted from buying shares that are not listed on a US exchange, which means that ADRs are the main route for them to diversify internationally.

Many analysts believe that ADRs are only for less sophisticated investors. Larger and more international investors the two prices do not diverge. have the manpower and know-Originally ADRs would be how to invest directly.

Mr Nick Bratt, director of global equity research at Scudder, a large institutional money manager, says his firm prefers to buy foreign shares in local stock markets. He points out that it is often, only the largest companies that have an ADR facility. He says that

investment managers should search out value for investors by looking beyond them. Only around three-quarters of the top 100 UK companies, for instance, have ADR pro-

grammes. Mr Bratt half-jokingly suggests that once a company

sponsors an ADR programme it time to sell its shares - it must mean that the company has run out of new investors in its home country.

Pessimists like Mr Bratt aside, the ADR market faces a threat from the New York Stock Exchange's plan to trade foreign shares in their ordinary form, quoting prices in local currencies rather than dollars. That could be an early step on the road to a global securities market, with shares tradeable all round the world regardless of their origin. But that is still a distant dream.

Latin American ADRs: by Lisa Bransten

## Flow loses pace

The gusher of equity capital trajectory, but they concede that flowed into Latin America that companies trying to raise in the early 1990s was abruptlycapped last year after Mexico devalued its currency, sending fear through the ranks of emerging market investors.

In 1998 and 1994 a total of 76 companies raised more than \$10bn through American depositary receipt (ADR) programmes, while last year just eight sold equity on the US markets, raising around \$559m. according to figures from the Bank of New York.

Investors remember 1993 as a strong year for Latin American equities, when they fought to buy up the limited number of ADRs that had already been issued and put more money into new offerings. That year total returns on the ING Barings index of Latin American equities were up nearly 52 per cent. In contrast it made a loss of 6 per cent in 1994 after Mexico's devaluation of the peso in late December.

This year many analysts are looking for Latin American ADRs to resume an upward that companies trying to raise new capital in the US may find the going tough.

Ms Marla Marron, a Latin American equity analyst at Salomon Brothers, thinks that there may be some demand for ADRs late this year, but that the first place most investors will look to put money will be in existing issues.

"There is a difference between buying semething that had value in the past that is well off its highs and buying an unknown," she says.

One ADR deal that is expeted sometime in the second quarter of this year is Telefonica de Peru, the Peruvian phone monopoly, which will undergo the final stage of privatisation when the govern ment sells the 28.5 per cent of the business it still holds.

Based on the price of shares traded on the Lima stock exchange, that bit of the company could be worth as much as \$1.6bn, making it one of the biggest Latin American deals

■ Israeli ADRs: by Mark Dennis

Most people would be hard-pressed to name the country that is second only to Canada as a home to foreign companies listed on American stock exchanges.

The country is not in the Far East or Europe as one might expect, but in the Middle East. Some 60 of Israel's companies are quoted in the US, most of them on Nasdaq. Their total market capitalisation is around \$12bn, as compared to \$35bn for the entire Tel Aviv Stock Exchange (TASE).

Analysts say the large numin the US reflects both foreign enthusiasm for Israeli compathe TASE that drive many businesses to raise capital in the US. "The TASE is in a crisis in terms of volume. It is not functioning as a tool for raising capital," says Mr Gad Hacker of Batucha Securities, "It is much easier to get money in America."

Foreign interest in Israel has increased markedly due to a prolonged economic boom and the unfolding peace process. An offering in the US is one way Israeli companies can capitalise on this enthusiasm. Most companies who seek US cash are exporters who believe that an American listing will help them attract international clients,

High-tech businesses dominate the listings, at almost 90

ture of heavyweights, such as Tower Semi-Conductor and ECI Telecom, as well as smaller capitalisation companies. The concerns were able to launch successful offerings Israel's reputation for technological excellence became strong enough to overcome investors fears about political and economic risk

<u>...</u> ₹- :

CHES ET !

Other types of companies are now starting to bring offerings. Israel's largest industrial conglomerate, Koon Industries, recently completed a \$120m global public offering, primarily focused on the US Several big privatisations are scheduled to take place this year. These include blue-chins like Bezeq, the telephone monopoly, and Zim Israel Shipping. Some American securities firms have set up offices in Israel in anticipation of increased business.

High-tech companies are still expected to dominate the numerous new offerings expected this year. Nice Systems, a digital communications company, and Zoran, an electronics firm, are currently making initial public offerings in the US. Moreover dozens of American venture capital funds are investing in promising hightech start-ups, many of which are expected to go public in the US within the next few

Russian ADRs: by John Thomhill

## Lukoil pioneers

The prospect of a Russian company issuing shares on the US capital markets would have seemed as unimaginable a decade ago as a US company delivering pizzas to Muscovites' front doors. But both events happened recently.

Lukoil, whose market share of more than 15 per cent of the country's crude output makes it Russia's biggest privatised oil company, launched an American depositary receipt (ADR) programme last month, attracting strong interest from US and European investors.

The Bank of New York, acting as the depositary bank, has bundled packages of four Lukoil shares into one ADR. It is hopeful that foreign investors could buy up to 30 per cent of the company's shares. At Lukoil's current market value that implies almost \$1bn of Russian proxy shares could become tradeable offshore.

Lukoil's ADR programme has been classified as an unrestricted level-one issue after receiving US Securitles and Exchange Commission clearance late last year. The SEC satisfied itself that sufficient safeguards concerning corporate governance and custody were in place to protect potential investors.

That approval allows even true and false at the same "Mom and Pop" investment institutions to buy the ADRs without too great a fear of investors launching legal pro- in 1925.

ceedings against them should they be defrauded. A string of Russian compa

nies is set to follow Lukoil's example. Other big oil fires, such as Yukos, two of the country's most powerful banks, Inkombank and Menatep, the national grid, Unified Energy Systems, and the GUM store are all said to be contemplating ADR programmes. As yet Russia has barely reg

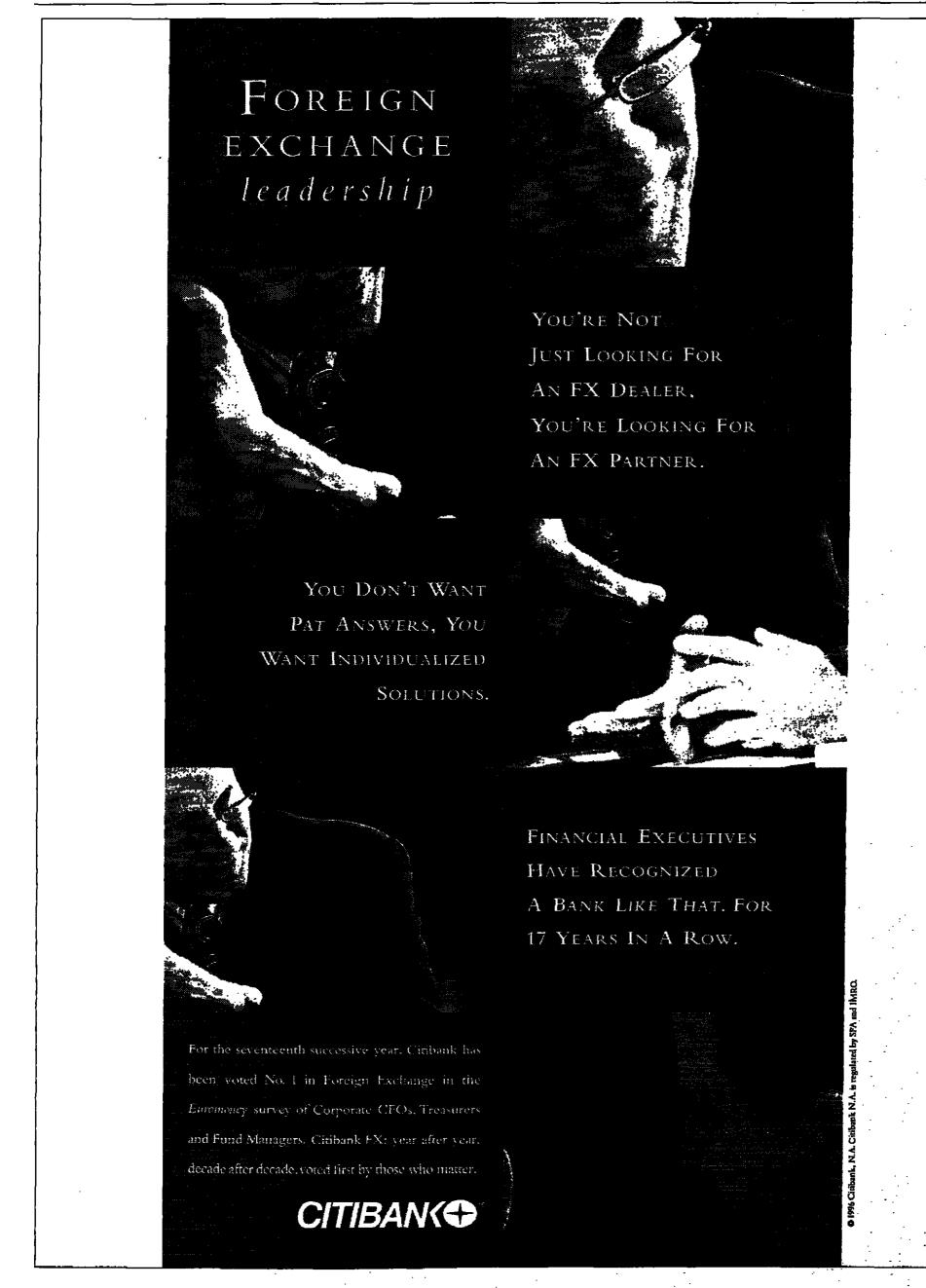
istered on the investment horizons of Wall Street fund managers. Foreign portfolio mated to account for only 0.5 per cent even of funds dedicated to emerging markets.

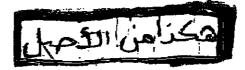
But as one enthusiastic US fund manager based in Moscow says: "Russia has started from a lower base than other emerging markets and has the potential to grow the most."

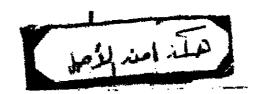
Estimating the likely speed and scale of change in Russia is still a phenomenal challenge. A recent circular from CS First Boston wisely quoted the British economist John Maynard Keynes: "The economic system of Russia has undergone such rapid changes that it is impossible to obtain a precise and accurate account of it...Almost everything one. can say about the country is

This comment is as valid today as when it was written

time."







#### COMMODITIES AND AGRICULTURE

## Farmers' leader attacks EU cereal export taxes

By Alison Maitland

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European Union export taxes on wheat and barley came under attack yesterday from Sir David Naish, president of Copa, the European farmers' organisation.

Str David, who also heads the National Farmers' Union of England and Wales, said the European Commission should have opted for a licensing system to regulate the flow of EU cereals on to the world market instead of a full-blown tax.

The commission imposed the taxes in the past two months to protect EU consumers and livestock farmers after a doubling in world barley prices and a 70 per cent rise in world wheat prices threatened to draw supplies out of the EU and inflate already high inter-

"I don't believe there was a

all," said Sir David. "The situation could have been controlled by the issuing of licences to ensure there were sufficient cereals for our [livestock] producers." He said the tax could itself raise EU prices by restricting world supply and pushing up world prices.

"There was an opportunity for the commission and member state governments to say to farmers: this is what is happening in the world. Free trade means there won't be a tax in and out, but we're going to reg-ulate it to make sure we maintain a balanced agriculture for the sake of our consumers.'

The tax, which reversed two decades of export subsidies. has also been criticised by the US government and by some EU grain farmers.

Sir David said the tax was "much the easiest way of doing it" because it required little need to put an export tax on at management. But licences

would allow more control. "If you let the [commission's] cereals management committee have a weekly or monthly balance sheet. . . the granting of export licences could have been on a pro rata basis to those who were bidding for

them."

Sir David represents both arable and livestock farmers. whose interests diverge on this issue. While arable farmers would benefit from selling to world markets, livestock producers are facing increases in their cereal feed prices of about 10 per cent in the year to

He acknowledged the position would have been more difficult if pig producers - among the main users of cereal-base feed - had not enjoyed better prices last year, which helned offset higher costs. But poultry producers "were having a very serious time".

#### MARKET REPORT

## Coffee futures jump another 6%

London Commodity Exchange robusta COFFEE futures jumped 6 per cent yesterday in response to an explosion of trade buying on the New York market. The March delivery price closed at a 2½-month high of \$2,200 a tonne, up \$129.

Traders said the move was broadly technical, although fundamental tightness also offered background support. "With coffee, once it gets rolling it's difficult to stop it." said one.

Option declarations also sparked off heavy short-covering at New York's Cocoa. Sugar and Coffee Exchange. where the the March arabicas futures position hit stop-losses and March soared more than \$10 to \$130.00 before easing slightly.

Traders said the market was caught up in the midst of profit-taking when New York marshalled its strength again and pierced through tough resis-

Fears of nearby supply tightness were exacerbated by reports that a new cold front expected to move to Mexico early next week could pose risks to the country's crop for

the 1996 harvest. LCE COCOA futures ended easier but off their lows and well above nearby support levels on industry buying, traders

said. The March contract finished £4 down at £907 a tonne.

At the London Metal Exchange LEAD and NICKEL moved up strongly on speculative buying and short-covering. Lead confirmed recent market concern over physical supplies and streaked to \$751, for three months delivery, its highest level since October 1990, while nickel raced to its November 1995 high of \$8.560. Traders said lead looked set

Precious Metals continued

M GOLD COMEX (190 Froy oc.; \$/tray oz.)

Sett Day's

tight physical supplies.

"All regions are suffering from a lack of material at the moment" one trader said. LME stocks stand at 110.675 tonnes, the lowest since Octo-

Lead prices were likely to test \$800 fairly soon, analysts suggested, and a breach there could see \$900 tested in the longer term.

Nickel rose to test key technical resistance levels, raising the possibility of further chartbased gains, traders said. But the latest rally did not reflect generally weak fundamental influences. If the price could break

above the trendline, "it has room to continue up to \$8,725/ 50," said Mr William Adams of Rudolf Wolff. The next upside target was

at around \$9,000, based on the early November high, he to head higher over coming added. Compiled from Reuters weeks, against a backdrop of

## 'Hidden' metal stocks may delay bull market | Price rise

By Kenneth Gooding, Mining Correspondent

Producers of aluminium, lead, nickel, tin and zinc are likely to be working at full stretch by the end of this year and will enjoy bull market conditions in 1997, according to Mr Neil Buxton, research manager for Metal Bulletin Research.

However, at a presentation to the Association of Mining Analysts in London, he warned that in the short term aluminium, nickel, and zinc prices might be held down by "hidor unreported stocks being transferred to those in London Metal Exchange registered warehouses.

This could lead to stock reductions in the first quarter of this year being less than widely expected or to stock increases greater than most analysts expected. "This possibility, together with sluggish demand conditions, makes us slightly bearish towards the base metals sector for the next few months.

"By their historical relationship, prices are still high compared to stocks. So we expect there to be periods when prices do not react to falling inventories, which is the reverse of what happened in 1994 and early 1995. We expect this to particularly be a feature of the first half of 1996," he added.

Mr Buxton suggested that the prices of many semi-fabricated metal products, such as copper tubing and aluminium can sheet, would fall, cause destocking and adversely affect metal market sentiment. Sentiment would also be influenced by an expected weakness in the copper price and, possibly, by investment funds selling

But the next big upward move in metals prices would be in response to genuine physical tightness. "Last year's prices do not represent the peak of this cycle," he insisted. Mr Buxton made the following forecasts: aluminium's price would average 79 cents a levels.

pound in 1996, 3.7 per cent below last year's average but 13.7 per cent above the present price; copper's price would average \$1.80 a pound, 18.8 per cent below 1985 and 4.8 per cent below the present price;

lead would average 36 cents a pound, 24 per cent up on 1995 and 10.8 per cent above the present level; nickel would average \$4 a pound, 7 per cent up on 1995 and 10.5 per cent above present levels; tin would average \$3.10 a pound, 9.9 per cent up on 1995 and 10.7 per cent above present levels; and zinc would average 49 cents a pound, 4.2 per cent up on 1995 and 6.5 per cent above present

He denied that demand

would fade as prices rose

because in countries such as

China, Taiwan, and Korea,

with a traditional love of gold,

many people for the first time

had some disposable income to

In Zambia, the tobacco asso-

spend on the precious metal.

## forecast for animal feed additive

By Alison Maitland

The price of magnesite, a mineral ingredient in farm animal feed, is likely to rise because plant closures are severely reducing world output, according to ICI, the chemicals group.

The planned closure of a big plant in Kosice, Slovakia, follows the liquidation last year of China's huge Liaoning Magnesite Corporation, which supplied about a quarter of the estimated 800,000-tonnes-a-year

world market.
Mr David Hopkins of ICI Nutrition, the agricultural distribution arm of ICI, said: "European stock levels are already low and supplies will tighten considerably as we enter the traditional period of heavy demand in the spring".

Magnesite, or magnesium oxide, is used in small quantities in cow and sheep feed to help prevent staggers - a problem associated with magnesium shortage.

Prices are currently about £110 a tonne in the UK, which uses 70,000 tonnes a year for animal feed. "They leapt by as much as 20 per cent following the Chinese closure and it seems certain that they have not peaked yet," said Mr Hop-

## Gold price seen rising past \$600 an ounce

**By Alison Maitland** 

ers' Association.

Gold's price should settle between US\$600 and \$700 a troy ounce, according to Mr Gary Maude, the executive director responsible for the international gold operations of Gen-

Tobacco production in most of

southern Africa is expected to

rise this year following a good

rainy season, according to the

International Tobacco Grow-

that was the last time South African companies could concor of South Africa, the fourth argest producer. Last night in London the gold price closed \$405.50 an ounce. Mr Maude explained after a

meeting in London that in 1988

the gold price in real terms was twice its present level and

is forecast to rise by 31m kg to

387m kg in the 1995-96 season.

a marked recovery from the

previous drought-hit season.

"They're all smiling at pres-

ent," said Mr Tom Watson,

Bigger southern African tobacco crops likely by 8.4 per cent to 81,000 hect-

bank selling and lending.

sider starting big new mines.

The market needed such mines

as supply was running about

1,000 tonnes a year behind

demand, a gap filled only by

who represents the growers'

ares and growers are predicting a crop of 200m-210m kg, well up on last year's 178m. The Tanzanian tobacco

board is forecasting a rise in planting from 35.170 hectares to 37,290 hectares, with output increasing by 1m kg to 28.8m.

ciation expects production to increase from 3.6m kg to 5m. Malawi's output is expected to remain the same as last year's 120m kg. Only South Africa is expecting a fall in production, from 25m kg to

#### The region's overall output Planting in Zimbabwe is up 'Petroleum coke shortage could hit aluminium output'

By Kenneth Gooding

World aluminium production is likely to be restricted by shortages of calcined petroleum coke, a material essential in the modern aluminium smelting process, the latest Spector Report, an industry newsletter, suggests. The price of this coke has more than douhled since January last year, from US\$110 a tonne to

between \$240 and \$250. Russian smelters would suffer most from any shortages,

SOFTS

author, Mr Stewart Spector. He points out that the Common-wealth of Independent States imported about 450,00 tonnes of petroleum coke last year, enough to produce 900,000

Coke exports to the CIS could be cut by half this year and fall to almost nothing in 1997-98, he says.

Russian smelters are also unlikely this year to obtain from the west sufficient alumina (aluminium oxide).

another essential raw material whose price has been rising. "These difficulties could cause Russian smelters to cut

production," says Mr Spector. "Looming coke problems could also affect western smelters. We have already received reports that several of the world's smelters are unable to obtain all the coke they need to maintain production.

Two years ago some big aluminium producers shut down capacity after an international trade agreement suggested this

was necessary to bring the market - severely dislocated by a collapse in demand in the CIS and a consequent surge in exports from that region back into balance.

Mr Spector says that, if all the western smelters re-start production "something has to give around the middle of 1996". Coke stocks could be gone by the end of this year and no new coke production capacity is scheduled to come on stream until the end of next

of coke capacity but green coke, used to make calcined petroleum coke is no longer in ample supply because it is more profitable for refineries to make liquids (gas, gasoline, distillates and gas oil) than coke, warns Mr Spector. · Conoco, the DuPont subsid-

Not only is there a shortage

iary is to spend £30m at its Humber refinery in the UK over the next two years to increase output of calcined petroleum coke for the aluminium industry.

## COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE (Prices from Arreigamated Metal Trading) E ALUMINIUM, 99.7 PURITY (Siper tonne)

Cash

_	Cash	
Close	1561-62	1590-91
Previous	1540-42	1570-72
High/low		1598/1586
AM Official	1562-63	1580-91
	1302-03	1587-8
Karb close	0.000	1307-0
Open int.	219,213	
Total delly turnover	57,292	
ALLIMINIUM ALLO	DY is per tonn	a)
Close	1345-55	1380-90
Previous	1335-40	1372-75
High/low		•
AM Official	1345-55	1385-90
Kerb clase		1375-80
Open Int.	4,734	
Total daily turnover	1.972	
•		
■ LEAD (\$ per tonne	<u> </u>	
Ciose	754.5-5.5	749,5-50.5
Previous	724-25	720-1
	1223	751/732
High/low		
AM Official	74 <del>8-40</del>	740.5-41.5
Kerb close		746-7
Open int.	34,244	
Total daily turnover	16,382	
MICKEL (\$ per ton	oel	
- MOKEE (P Par IO)		
Close	8455-85	8555-65
Previous .	8185-95	8295-305
High/low	8465	8570/8400
AM Official	8465-70	8555-60
Kerb close		8555-60
Ocen int.	40,310	
Total delly turnover	12.263	
-	12,220	
TIN (\$ per tonnel		
Close	6220-30	6265-70
Previous	6145-55	6190-200
High/low	•	6275/6245
AM Official	6210-15	6245-55
	02 10-10	6280-70
Kerb close Open int.	15,621	
	3.161	
Total daily surrover		
ZINC, special high	a drage to be.	roughel
Close	1057-58	1073-74
Ciose Previous	1027-28	1045-46
	IOE! TO	1075/1059
High/low	1048-49	1064-65
AM Official	10-6	1072-3
Kerb close	75.315	
Open int.		
Total daily turnover	30,637	
E COPPER, grade A	(5 per tonne)	
Cine	2564-66	2516-18
Carte Provious	2550-53	2502-3
11 7 111		2533/2508
High/low	2570	
AM Official	2570-71	2516-17
Kerb close		2607-9
Open int.	175.512	
Total daily turnover	68,096	
		<b>6</b> ?
ME AM Official	25 1918: 1.50 Pater 1.5105	-
I ME Clarina CC	rener 1.31(E)	

109.85 -0.55 111.40 109.85 PRECIOUS METALS E LONDON BULLION MARKET (Prices supplied by N M Rothschild) Gold(Troy oz) \$ price

Spot: 1 5109 3 miles: 1.5079 6 miller: 1.5053 9 milles: 1.5020

115.75 -0.35 117.70 115.60 770 2.547 114.90 -0.85 116.80 114.70 9.002 25.376

112.10 -0.70 113.80 112.10 1.699 110.85 -0.70 112.70 112.70 23

-070 11270 11270

HIGH GRADE COPPER (COMEX)

403.00-403.50 403.20 267.605 489.888 405.55 268.719 490.513 406.00-406.40 Day's High Previous close 405.00-405.40 Loco Ldn Mean Gold Lending Rates (Vs USS) 6 months ..... 2 months . .....301

US cts equiv. 552,00 557,80 563 45 575,05 Silver Pix Spot 3 months 6 months p/tray ez. 366.40 371.00 375.55 385.25 ) year old Coins £ equiv. 266-268 \$ price 402-405 Krugerrand Maple Leaf New Sovereign 417,25-419.80 93-96 82-64

412.0 -3.0 412.0 412.0 287 413.5 +1.5 414.6 414.6 10 10 4,116 415.0 +1.5 475.4 413.0 535 12,775 113,999 223,006 E PLATINUM NYMEX (50 Troy oz.; S/troy oz.) 423.0 +0.4 423.9 421.0 1,205 18,445 424.7 +0.4 425.5 424.5 18 3,059 426.4 +0.4 427.5 427.5 52 1,163 428.0 +0.4 434.0 434.0 1 1 54 1,275 22,721 PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.) 130,45 +1 05 130,50 129 00 329 4,805 131,85 +1,05 131,25 131,25 85 2,016 SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) 15,785 103,186 **ENERGY** ■ CRUDE OIL NYMEX (42,000 US gails, 5/barrel) 17.70 +0.14 17.76 17.35 34.548 82.250 17.35 +0.11 17.41 17.05 19.247 52.991 17.70 +014 17.75 17.35 34.548 82.250 17.35 +0.11 17.41 17.05 19.247 52.991 17.17 +0.08 17.25 16.95 7.780 36.824 17.08 +0.08 17.12 16.85 68.29 34.525 17.00 +0.07 17.03 18.80 2.805 31.103 16.95 +0.05 17.00 16.88 2.048 16.449 E CRUDE OIL IPE (\$/barrel) Latest Day's price change High 16.26 15,861 61,556 15.94 9,087 37,429 15.81 1,370 18,730 HEATING OIL NYMEX (42,000 LS galls; DAS galls.) 49.25 +0.28 49.50 48.75 4.931 14,842 47.50 +0.33 47.50 47.00 2.129 9.350 46.65 +0.13 46.75 46.25 1,540 10.523 46.65 +0.08 46.75 48.25 1,329 6,352 48,760 10,685

| 157.00 | +1.25 | 157.50 | 155.50 | 7,899 | 25,766 | 151.75 | +0.25 | 152.50 | 150.50 | 5,483 | 18,893 | 147.75 | -0.25 | 145.00 | 147.76 | 1,015 | 10,126 | 146.00 | -0.25 | 145.00 | 145.50 | 295 | 5,873 | 145.50 | -0.25 | 146.00 | 145.50 | 295 | 5,873 | 145.50 | -0.25 | 146.00 | 145.50 | 295 | 5,873 | 145.50 | -0.25 | 146.00 | 145.50 | 295 | 5,873 | 145.50 | -0.25 | 146.00 | 145.50 | 295 | 5,873 | 145.50 | -0.25 | 146.00 | 145.50 | 295 | 295 | 5,873 | 145.50 | -0.25 | 146.00 | 145.50 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 295 | 15,003 78,676 NATURAL GAS NYMEX (10,000 mmRts.; S/mmBts.) 2660 +0 156 2700 2455 24,845 28,784 2100 +0.056 2024 2.095 5,586 17,486 2.050 +0.056 2.055 1960 3.257 15,534 1,945 +0.031 1.954 1.900 1.099 10,764 1.900 +0.016 1.900 1.875 984 8,488 4.0134 136,446 40,134 139,419 UNLEADED GASOLINE NYMEX (42,000 US gails.; c/US gails.) <u>57.25</u> 8,700 22,933 55 10 54.30 4,100 14,585 54 90 54.15 2,676 7,851 54 30 53 75 1,235 4,785

+0 64 53.70 53.00 45 3,559 26,854 63,849

WHEAT LCE (E per tonne) ■ COCOA LCE (E/torme) Sett Day's Open price change High Low Vol at Sett Day's 124.30 +0.45 124.70 124.15 389 2.335 126.25 +0.25 125.60 126.15 258 3.645 128.30 +0.35 128.50 18.00 22 504 405.6 +7.5 406.5 402.1 36.350 8.311 408.5 +1.5 408.8 405.0 68,826.114,902 410.5 +1.5 410.9 466.8 7,858 33.501 113.65 +0.90 113.25 113.25 18 160 114.80 +0.90 114.80 114.25 55 1,207 116.75 +1.00 - 116.25 10 WHEAT CBT (5,000bu min; cents/60b bushel) MAIZE CST (5,000 bu min; cents/56tb bushel) 368.00 +1.25 369.50 365.25 50.066 165.611 373.00 +1.5 373.50 368.25 20.947 127.911 368.00 +1.75 368.75 364.00 13.508 90.680 314.00 +0.25 315.50 312.75 2,133 27,224 298.50 -0.25 300.50 297.50 8,773 56.565 303.50 -0.75 306.00 303.25 239 3,571 95,997 483,275 BARLEY LCE (£ per tonne) 115.25 +0.15 - - - 711 117.25 +0.50 116.75 176.75 5 381 109.00 +0.65 109.00 109.00 - 29 111.30 +0.60 111.30 111.20 20 149 113.50 +1.00 - - 32 30 1,270 738.75 +2.25 743.00 733.50 32.503 80,077 738.75 +22.5 743.00 733.50 52.383 80,07 746.75 +2.75 751.50 741.50 8,956 33.657 750.50 +3 753.50 745.50 7.636 52.654 748.75 +4.75 749.50 744.00 156 3,103 723.00 +2.5 726.00 719.00 236 2,754 708.25 +3.5 708.00 703.00 5,649 37.402 55,304 193,115 SOYABEAN Off. CBT (60,000lbs; cents/lb) 24.59 +0.14 24.57 24.28 8.435 42.363 24.67 +0.1 24.98 24.82 2.60 19.538 25.05 +0.09 25.35 25.00 24.07 14.68 25.20 +0.09 25.50 25.17 116 4.013 25.20 +0.09 25.60 25.30 179 2.043 25.47 +0.12 25.70 25.35 45 1,646 13,585 90,458 M SOYABEAN MEAL CET (100 tons: \$/ton) 235.3 +0.7 235.7 233.3 8,772 41,829 238.0 +0.5 238.5 238.1 4,187 20,496 238.6 +0.5 239.5 237.0 2,608 18,376 237.4 -0.1 239.0 236.2 270 3,116 233.3 +0.3 233.5 232.0 257 2,522 223,7 +0.7 225.0 23.0 45 1,311 16,238 92,007 POTATOES LCE (Cronne) 200.0 179.0 200.0 325.0 +2.5 181.0 178.0 69 -2.5 - - -1050 FREIGHT (BIFFEX) LCE (\$10/index point) - - 1520 +5 1410 1380 -8 1410 1395 -8 1410 1390 -13 1285 1275 -17 1340 1340 1518 1413 1405 2f 1,213 20 434 190 4,777 Close Prev 1503 1510 FUTURES DATA futures data supplied by CMS.

GRAINS AND OIL SEEDS

Nuts and Seeds Prices from Kenidio Group; USS a tonne, Iro-nian pistachies 28/30 raw (in shell) naturally opened (round; 1995 crop 3,450 CFR/FOT MEP, 26/26 3,550 CFR/FOT MEP - roested MEP, 26/28 3,550 CFR/FOT MEP - roasted and satted 26/30 at 3,556 ba-Hamburg, vectorin pack. US atmonds (sheled) 16/20 MSS 1995 crop at 6,000 FAS, increased trade at lower prices. US walnuts LHP 20% - steady at 6,150 FAS Callonia, should start talling soon. Indian cashews: 1995 crop, raw, W-320, 5,775 CFR MEP; W-240 5.850 CFR MEP; both falling on increased avalability. Turksh hazelmut kernels, 13/15 standord is, 1995 crop at 2,550 CFR MEP; exports stall slow but activity greater tha a week ago. Russian snow white pumpkin seeds: 1995 crop, long, grade A, at 2,000 FCA MEP; round, 2,350 FGB MEP; Chinese grade A pire kamels, 1995 crop at 5,850, spot UK or 4,900 CFR from origin.

Sett Day's Open price change High Low Vol ist -4 910 904 822 22,929 -3 931 925 927 17,834 -4 952 947 362 9,855 -4 972 967 242 34,916 -3 990 986 247 12,434 - 1010 1005 322 27,818 968 968 1009 COCOA CSCE (10 tonnes: \$/tonnes) -7 1259 1241 5,884 30,218 -6 1284 1267 2,967 25,714 -4 1306 1290 1,083 9,676 -7 1277 1311 1,008 9,370 -7 1352 1350 59 9,307 -6 1373 1373 388 7,070 11,540 93,702 1343 1373 COCOA (ICCO) (SDR's/tonne) Prev. day 922.32 Price COFFEE LCE (Storme) 
 2200
 +187
 1990
 1990
 32
 93

 2200
 +129
 2200
 2030
 3,829
 15,928

 2033
 +119
 2030
 1880
 2,295
 11,705

 1960
 +132
 1990
 1795
 636
 4,063

 1973
 +102
 1970
 1770
 650
 2,055

 1887
 +97
 1886
 1755
 211
 506

 7
 7685
 25,730
 7685
 25,730
 636 4,063 650 2,055 211 808 7,655 35,730 Sep Nov Total COFFEE 'C' CSCE (37,500lbs; cents/lbs) 128 60 +8.05 131.50 120.00 8,931 14,090 125,80 +8.55 129.50 119.00 3,423 8,495 125,60 +7.55 123.50 117.75 441 3,230 123.60 +7.10 122.50 117.20 157 7,715 122.35 +6.85 127.50 116.75 92 1,083 123,15 +8.15 121,00 121.00 14 215 Mar May Jul 17,058 28,863 COFFEE (ICO) (US cents/pound) 10.90 -11.55 -0.10 11.55 -0.10 WHITE SUGAR LCE (\$/torme) 373.8 -2.8 376.5 373.0 1,103 9,531 387.0 -1.1 357.8 355.5 689 10,557 341.0 +19 340.5 339.5 290 5,477 314.3 +2.4 314.5 311.1 132 4,006 306.3 +1,9 304.4 302.8 - 2,455 303.5 +2.8 301.2 300.7 22 575 2237 32,865 M SUGAR '11' CSCE (112,000lbs; cents/fbs) 12.15 -0.21 12.28 12.0813,710 83.092 11.34 -0.10 11.38 11.24 8.940 34.295 10.45 - 10.47 10.37 2.390 21.487 10.16 - 10.17 18.08 1,573 22.136 - 10.47 10.51 2,280 21.487 10.16 - 10.17 10.08 1,573 22.136 9.95 +0.02 9.95 9.90 307 12,527 9.61 +0.02 9.82 9.81 16 1,899 May Total COTTON NYCE (60,000lbs; cents/lbs) 85,69 -1,39 88.75 85.35 5,797 21,500 Har Hey Jel Oct Dec Har Total 86.20 -1.10 86.90 85.66 3,388 14,686 85.85 -0.98 86.45 85.00 1.194 8.540 79.50 -0.50 79.60 78.75 109 1.969 77.35 -0.35 77.50 77.00 422 12.298 78.10 -0.35 78.00 - 1 983 18.911 59.482 TO ORANGE JUICE NYCE (15,000lbs; cents/lbs) 126.25 +7.05 126.50 120.05 1,443 14,310 124.70 +5.00 124.70 121.50 729 4,466 125.95 +5.00 125.95 121.50 31 1,373 135.30 +4.90 135.30 122.00 180 1282 122.50 +5.00 122.50 120.00 110 595 122.95 +5.00 122.95 118.50 168 1,306 2,661 23,650 Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in anears.

INDICES ■ REUTERS (Base: 18/9/31=100) Jan 31 Jan 30 month ago year ago 2175.5 2179.5 2081.4 2260.4 E CRB Futures (Base: 1987=100) Jan 30 Jan 29 month ago 245.45 244.66 241.32 **E** GSCI Spot (Base: 1970=100)

64,025 +0.750 64,125 63,100 6,135 17,609 63,850 +0.475 64,200 63,150 7,430 29,909 61,425 +0.075 61,650 61,250 61,075 -0.150 61,400 60,925 46 625 -0.525 47 650 46.350 1.494 6.320 44 350 -0.550 45 750 43.900 2.290 12,701 50,000 -0.450 51.200 49.550 834 7,655 48 725 -0.575 49.850 48.400 193 2,475 47,225 -0.650 48,425 46,900 43,525 -0.275 44,550 43,400 PORK BELLIES CME (40,000/bs; cents/lbs) Feb Mar May Jul Aug Total 55,150 -2,000 57,375 55,150 54,900 -1.800 57.100 54.700 55,500 -1.300 57.250 55.000 LONDON TRADED OPTIONS (99.7%) LME 105 47 16 \*\* COPPER (Grade A) LIME 2400 \_\_\_\_\_\_ 2500 \_\_\_\_\_\_ 157 95 52 TE COFFEE LCE Mar

E BRENT CRUDE IPE Mer LONDON SPOT MARKETS B CRUDE Off. FOB (per barrel/filer) S15.55-5,57w Brent Bland (dated) \$16.62-6.64 Brent Bland (Mar) W.T.L \$17.64-7.65w +0.105 ■ OIL PRODUCTS NWE prompt delivery Cif (tonne) Premium Gasolin \$161-162 Heavy Fuel Off S169-171 (0171) 359 8793 E OTHER \$405.50

Cotton Dutlock'A' Index 232.78

MEAT AND LIVESTOCK III LIVE CATTLE CME (40,000lbs; cents/lbs)

Gold (per troy 02)\$
Silver (per troy 02)\$
Platinum (per troy 02.) 554.5c \$420.00 Polladium (per troy oz.) \$127.75 119.0c Copper Lead (US prod.) Tin (Kuala Lumpur) Tin (New York) 15.76m 294,5c 119.30p Cattle (live weight)† Sheep (live weight)† 132,500 Pigs (live weight)† 109.54p Lon. day sugar (raw) \$339.0 \$387.0 Barley (Eng. feed) Maize (US No3 Yellow) Wheat (US Dark North) 121.5u 150,52 Unq Rubber (Mar)♥ 103,500 Rubber (Apr)# Rubber (KL RSS No1) 103.50p 382.5m Coconut Oil (Phil)§ Paim Oil (Matay.)§ \$512.5v Copra (Phil)§ Soyabeans (US) 464 211.0

87.25 450p C per tonne unices atherwise stated, p pence/kg, c conte/th r ingpt/kg, m Mataysian cens/kg, z Jan, u Feb. y w Mar, Feb/Mer, c Cot/Dec London Physical, S CIF Petterdam, & Bullion market close, & Sheep (Live weight prices)

JOTTER PAD help vir benefit, ease, improve, lessen, make easier. If wa qualify for the 100kW marker and your electricity bill is over £12,000 pa, you may enjoy significant a savings by an itching to an Eastern contract. Full details available on request Talk to Eastern for a bottor deal 0800 99 77 55 EASTERN

## **CROSSWORD**

No.8,982 Set by ADAMANT

ACROSS About to give a beating, the rotter Jerry was toying with 6 The holly and the ivy, for 1 About to give a beating, the his victim (3,3,5) 7 A second square person with-9 The monarch leads royal

objections regarding the mistake (5) something special (3,6) say, left one expressing hesi-

12 Award for the president (5) tionary party (7) 15 People follow love sign (4) 18 Employed American editor (4) 20 He has promised union to

(7) 23 Maps produce by a retired seaman (5) 24 Love responds badly when promoted to the public (9) 26 Friend of Di cannot duck out

unfortunately (9) 27 Landed in Eastern Europe it's best (5) 28 Regret the herb (3)

29 If speedo malfunctioned, sat

1 Preserve wood - oh! so central, but not hot in Mediterraiean island (8)

2 Walks to popular sporting viewpoints (8) 3 Name sure to upset sister (5) 4 After a short while try, if out to humiliate (7)

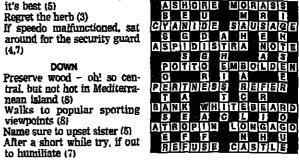
5 Two articles from Europe example, is a popular classic 7 When carrier was off course

8 À girl's rise to higher levels? 10 An embarrassed landlord is 14 When the regiment makes mistakes, they are killers (9) 11 The more imposing Virginia, 16 Robots together with one in

bars (8) 17 Be in front of the others in the frame (8) 13 Treatment he gets in revolu- 19 Spinning stick on underworld

20 Imprisoned thug was given meal, but legally treated with contempt (7) accept new supply of money 21 Swordbearer of the French right absorbed Mandela's party (6)

22 Dive in to use breathing apparatus during exercise (6) 25 Brush off - she starts to cry (5) Solution 8,981



#### INTERNATIONAL CAPITAL MARKETS

## Treasuries volatile after Fed cuts rates

By Maggie Urry in New York and Martin Brice in London

US Treasury bonds jumped yesterday as the Federal Open Market Committee announced an interest rate cut at the end of its two day meeting. However, the enthusiasm for the cut was short-lived and bond prices were volatile in busy two-way trade.

The Fed reduced its target rate by a quarter of one percentage point to 5% per cent. and the discount rate by the same amount to 5 per cent. It cited moderating economic expansion and subdued inflation for its decision, which was

Shortly after the early afternoon announcement, the benchmark 30-year Treasury was is higher at 111 to yield 6.011 per cent, while at the short end of the maturity spectrum the two-year note was up % at 100%, yielding 4.917 per

Bonds have been firm lately in anticipation of a cut, which came only six weeks after the early 1994.

The market had to contend with news that next week's Treasury auctions will be the biggest on record, raising \$44.5bn of which \$13.2bn will be new cash.

The sale will comprise \$18.5bn of three-year notes, \$14bn of 10-year notes and \$12bn of 30 year bonds. Before the auction can go ahead the Treasury must put in place measures to avoid breaching the \$4,900bn debt ceiling.

■ In Germany, meanwhile, bonds closed lower despite a 15 basis point cut in the German repo rate to 3.4 per cent. Traders attributed the fall to profittaking, said to be by hedge funds, and technical trading. Mr David Brown, chief European economist at Bear Stearns International, said the markets had been "whip-sawed between interest rate expecta-

tions on both sides of the

Atlantic. We are in a very

strong round of European

Emu's fiscal austerity acting ment when they come." like a milistone, substantially lower rates ahead are the only

way out of the crisis." Investors were waiting for the outcome of the Bundesbank council meeting today. Mr Brown at Bear Stearns said: "With the Bundeshank acceler-

#### GOVERNMENT **BONDS**

ating its pace of repo easing, from 8, to 10, to 15 basis points off rates, we reckon the chances of a discount rate cut tomorrow have improved from 55:45 in favour to 65:35 in

favour. Mr Karl Haeling, head of futures and options at Deutsche Morgan Grenfell in Frankfurt, said the size of the cut had led to a reassessment by some investors of German interest rates.

He said: "Rightly or wrongly, people are perceiving that the end of the interest rate fantasy previous reduction in Decem-ber. It is the third easing of now, which will extend for ing that interest rate cuts are

in the doldrums and with can only provide disappoint-

The yield on benchmark twoyear paper increased 1 basis point and that on 10-year paper by 2 points, with the spread between the two maturities settling at 224 points.

On Liffe the March 10-year bund future closed at 100.27, down 0.21. The yield spread of 10-year bunds over Treasuries moved from 17 to 22 basis

■ French government bonds were lifted by poor unemployment data and the March Notionnel future on Matif closed up 0.10 at 122.88.

Hopes of an imminent cut in the intervention rate buoyed the short end of the curve, and yields on two-year paper fell 6 basis points while yields on the 10-year area rose 2 points with the spread between the two maturities at 193.

Ms Phyllis Reed, European bond strategist at BZW, said more steepening could lead the French yield curve to steepen to German levels, where the two to 10-year spread is around

monetary policy by the Fed many months ahead. Europe is so widely anticipated that they agreed over after the tightening begun in the doldrums and with can only provide disappoint bunds tightened 2 basis points bunds tightened 2 basis points to 47 points.

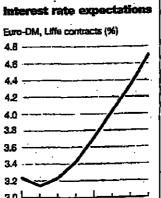
> ■ Italian bonds followed bunds, and the March bond future on Liffe closed up 0.45 at 112.40 but surged in late afternoon when a resolution of the political crisis was believed to be nearer. The spread over 10-year bunds narrowed 8 basis points to 432.

> **■** UK government bonds were dragged down by a disappointing gilt auction. Although the auction cover was 1.96 times and the tail was 2 basis points, the lowest accepted price was below the pre-auction market level at 105, where it yielded 6.76 per cent.

A trader said: "People don't necessarily want the stock but they are happy to take it on at these levels." Mr Andrew Roberts, analyst at UBS said the result was a disappointment because "the gilt market offers more value than any other European market just

On Liffe the March long gilt future closed at 1107, down 1.

**NEW INTERNATIONAL BOND ISSUES** 



Mar Jun Sup Dec Mar Jon Sep Dec

The 10-year yield spread over Germany moved from 169 to 173 basis points. On two-year paper yields rose 3 points and on 10-year paper by 5 points, with the spread between the maturities at 124 basis points.

■ The yield spread of 10-year Swedish government bonds over bunds narrowed by 6 basis points to 242 points on hopes of further repo rate cuts from the Riksbank. Ms Wike Groenenberg, an economist at Salomon Brothers, said 20 or 25 basis points could come off the repo rate within two weeks.

## **Croatia borrows** DM50m to help rebuild tourism

By Gavin Gray in Zagreb

Croatia has completed its debut issue in the international syndicated loan market in the first of a series of international borrowings to fund the rebuilding of its shattered economy. The DM50m credit will be used to reconstruct the tourism sector.

Another, similar, credit for the tourism industry is under negotiation with the European Bank for Reconstruction and Development.

#### SYNDICATED LOANS

The loan, lead-managed by Raiffeisen Zentralbank of Austria, will be extended to HBOR. a state-owned reconstruction bank, RZB assembled a 16-bank syndicate comprising mainly German and Austrian Landesbanks. The loan was 20 per cent oversubscribed and closed after 10 days of syndication.

The facility was signed on Tuesday in Dubrovnik, a city on Croatia's Dalmatian coast that was one of Europe's most popular holiday resorts in the 1970s and 1980s but heavily shelled in November 1991, during the war that followed Croatia's declaration of independence from Yugoslavia.

Dalmatia's tourism industry generated 20 per cent of former Yugoslavia's hard currency earnings and the Croatian authorities regard this sector as their best hope for economic revival. But they urgently need loans to repair hotels that were damaged either during the fighting or because they have been used to house refugees

from the conflict. Until recently, Western banks have been reluctant to extend credit lines to Croatia but the country's political risk standing has improved follow-

6.85 7.67

8.43 8.40

6.89 7.71

ing the signing of the Dayton peace agreement and the Croatian army's assault last August on Krajina, a region of Croatia formerly occupied by repel Serbs.

Even so, HBOR is paying a high margin of 275 basis points over the London interbank offered rate for a loan with a maturity of only 18 months.

Western bankers expect Croatia's access to the international debt markets to improve when it reaches an agreement with the London Club of commercial bankers on the share it will assume of former Yugoslavia's \$4.65bn bank debt.

A settlement is expected in March and Mr Bozo Prka, the Creatian finance minister, has said this will be followed by an application this year for an international credit rating and by a US\$350m eurobond issue the country's first issue in that market.

• Şişecam, the Turkish glass manufacturer, has obtained a \$50m three-year loan, making it the first Turkish corporate borrower to raise a mediumterm debt facility in more than a year, writes Conner Middelmann. The facility, arranged by J.P. Morgan, was increased from the launch amount of \$30m to accommodate oversubscriptions.

Banks participating in the syndication were Morgan Guaranty Trust, Crédit Lyonnais, Union Bank of Switzerland, Bank of Tokyo, Banque Française du Commerce Exterieur and Isbank GmbH. The interest margin on the deal was not disclosed.

Şişecam was founded in 1935 to produce hand-made glassware and has since become a successful exporter of flat glass, container glass and table-ware. It also dominates the domestic glass market, with an 85 per cent market

7.00 7.82 7.83

1,21 3.36

-----

· ~ 5. ... .

200

Jan 31 Jan 30 Yr. ago Jan 31 Jan 30 Yr. ago Jan 31 Jan 30 Yr. ago

6.89 7.70 7.80

6.92 7.74

8.54 8.55 8.55

## Two US banks tap FRN sector

#### By Conner Middelmann

Taking advantage of continued demand for floating-rate paper, several issuers again tapped that sector yesterday, including two US investment banks. Morgan Stanley issued DM300m of three-year notes paying a coupon of three-

month Libor plus 18.75 basis points. Meanwhile, Merrill Lynch increased an outstanding issue with a coupon of Libor plus 20 basis points by \$150m. Five US investment banks

have tapped the floating-rate market in the past three weeks raising close to \$1bn, and more are expected to surface.

The market is in great shape and there isn't a lot of supply around - especially

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

with double-digit spreads [over Libor]," said one dealer, The day's largest floating-

rate note issue came for National Australia Bank. which issued \$500m of one-year notes via BZW and Morgan Stanley.

#### INTERNATIONAL BONDS

The paper pays a coupon of Libor less 10 basis points and was being sold at around 7 basis points below Libor. That compares favourably with NAB's commercial paper, which pays Libor less 11 basis points, said one dealer - who reported healthy buying by money-market fund managers, traditional holders of CP.

Day's Week Month
Price change Yield ago ago

The deal also benefited from the rarity appeal of one-year

floating-rate paper.

More variable-rate supply came in the form of \$300m of five-year notes for Argentaria Global Finance, increasing a \$400m deal launched in early January via Deutsche Morgan Grenfell DePfa's DM2bn seven-year

global Pfandbrief issue held up well on its first day of trading, with the 18 basis point launch spread over bunds narrowing by 2 basis points after the bonds were freed to trade. Two more jumbo Pfandbriefe

albeit purely domestic ones also surfaced yesterday: DM1bn for Deutsche Hypothekenhank and DM1bn for Hypothekenbank Essen. Looking ahead, the Export-

Strike Price

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

--- CALLS

Borrower	Amount th.	Coupon %	Price	Maturity	Fees %	Spread bp	Sook-runner
US DOLLARS National Australia Bankt	500	(e)	99.99	Feb 1997	0.05	_	BZW/Morgan Stanley Inti
Argentaria Globel Finance(b):	300	(D1)	99.85	Feb 2001	0.15	-	Deutsche Morgan Grenfell
Merrill Lynch & Co(c);	50	(C1)	99.75R	Feb 2000	0.25A	-	Memii Lynch International
D-MARKS							
Morgan Stanley Groupt	300	(d)	99.88R	Feb 1999	0.20R	-	Morgan Stanley Bank
City of Copenhagen	100	6.125	99.815R	Mar 2006	0.325R	•	DKB (Deutschland)
SWISS FRANCS							
European investment Bank	250	4.50	102.80	Mar 2006	2.25	-	Credit Suisse
Northeast Finance	100	4.25	103.125	Mar 2003	2.50	-	Bank of Tokyo/SBC Warburg
CANADIAN DOLLARS	_						
De NIB(s)	100	6.625	100.325R	Dec 2001	0.25R	+13(7½%-01)	Kredietbank Inti Group
DANISH KRONER		250	400 50			-	Parts Described
Kingdom of Sweden(i)	400	6.50	102.50	May 2002	1.875	-	Bank Brussels Lambert

Import Bank of Korea is expec ted to issue \$500m of global bonds within the next two weeks via Lehman Brothers

and Salomon Brothers. Disney's long-rumoured global bond is also taking

shape after roadshows in Europe last week.

seen coming to the market

1 Up to 5 years (22)

5-15 years (21) Over 15 years (8)

CS First Boston and Merrill Lynch are thought to have won the mandate to lead the \$1bn to \$1.5bn offering, which is

FT-ACTUARIES FIXED INTEREST INDICES Wed Jan 31

123.96

Day's change %

within the next four to six Disney is expected to borrow up to \$5bn this year to help fund its \$19bn acquisition of Capital Cities/ABC last

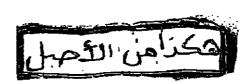
0.12 5 yrs 0.22 15 yrs 1.02 20 yrs 0.00 kred.† -0.01 -0.23 -0.35 -0.32 151.40 167.24 192.33 All stocks (57) Jan 31 Jan 30 Yr. ago Up to 5 years (1) 198.31 189.38 188.98 Over 5 yrs

123.97

Jan 31 Jan 30 Jan 29 Jan 26 Jan 25 Yr ago High Low 95.31 95.66 95.46 95.62 95.98 91.53 96.34 90.22 114.07 114.12 114.27 114.57 114.91 109.64 115.23 108.77 119.6 97.6 94.5 93.4

	Coupon	Date	Price	change	Yield ag	o sgo	Price	Mar	Apr	May	Juan M	lar Apr	May	Jun
Australia	10,000	02/06	112.3800		B.17 8.1		10000	0.75	0.65	-	1.07 0.4		1.34	1,54
Austria	6.500	11/05	102.1100	-0.050	6.20 6.1	3 6.50	10050	0.47	0.45		0.85 0.1		1.64	1.82
Belgium Canada "	6.500 8.750	03/05 12/05	100.9500 112.3200	+0.610	6.36 6.2 6.99 7.0		10100 Est. vol. lotal	0.27 L Calls 3026	0.30 1 Puts 1756		1.67 0.9 dev's ocen e'veb	99 1.77 11., Calls 2391	1.97 81 Puts 193	2.14 3566
Denmark	8.000	03/06	106.2600	-0.280	7.11 6.9	3 7.39		uneq			,,	=		
France BTAN CIAT	7.000 7.250	10/00	106.6250 106.3000	+0.130 -0.040	5.37 5.3 6.38 6.3		Italy							
Germany Bund	6.000	01/06	100.3000	-0.080	5.89 5.7		E NOTION				P) FUTURI	ēs -		
reland	8.000	08/06	104.6500	-	7.34 7.2	5 7.56	(UFFE)	Lira 200m	100ths of	100%				
taly Japan No 129	10.500 6.400	09/05 03/00	103.3300 117.5900	+0.450 -0.060	9.95† 9.9 1.81 1.7			Open	Sett price	-	High	Low	Est. vol	Open int.
No 174	4.600	09/04	111.0690	-0.080	2.99 3.0		Mar	112,25	112.53	+0.58	112.69	111.76	63048	64023
letherlands	6.000	01/06	100.6200	-0.120	5.91 5.8		Jun	111.85	112.05	+0.56	111.85	111.35	322	2847
Portugal Spain	11.875 10 150	02/05 01/08	114.6500 102.5300	+0.350 -0.030	9.40 9.2 9.54 9.3			GOVI. B			OPTIONS	(LIFFE) Lina2		PE DT 100%
weden	6.000	02/05	85.6350	+0.170	8.33 8.2	5 8.74	Strike Price		CA Mar			Mer	PUTS —	Jun
JK Gilts	8.000 8.500	12/00 12/05	104-25 108-29	-8/32 -14/32	6.82 6.6 7.49 7.3		11250		.10	Jur 2.17		Mar 1.07		Jun 2.62
	9.000	12/05	106-29 110-26	-14/32 -16/32	7.49 7.3 7.55 7.4		11300		.10 ).86	1.94		1.33		2.89
JS Treasury "	5.875	11/05	102-03	+7/32	5.59 5.6		11350	0	1.65	1.73	}	1.62	:	3.18
ECU (French Govt)	6.875 7.500	08/25 04/05	111 <u>–2</u> 7 104.8100	+5/32 +0.050	6.03 6.0 6.80 6.6		Est. vol. total	l. Calls 5240	Puts 2480.	Previous da	y's open int.	Calls 82854	Puts 67391	
ondon closing. "New Yo		V-11-0-0	10114140	10.000		r 1.00 Sarkat standard.	Spain							
Gross (including withho	olding bax a		cent payable	by namesia		<b></b>	■ NOTION	AI SPANS	SH BOND	AUTHER .	(MEEE)			
vices: US. UK in 30nds.	others in de	cmai			Source: Mi	4S international	= NOTION						F-1	2
JS INTEREST	PATE	2						Open	Sett price	-	High	Low	Est. vol.	Open int.
				DR .	w		Mar Jun	96.87	96.71 96.50	-0.02	97.37	96.37	115.082	45,818 1
atest	^	ne manitr	i reasury		Bond Yields	4.98	UK	_	34.00	-	_	_	_	•
ulan epai	8 <sup>j</sup> 2 Tı	ल खनके		5.13 The	ae lear	5.09		AL UK GI	T FUTUR	ES (LIFFA)	250,000 32	nds of 1009	4	
roker loan rataed.hunds	74 TI	100 manih. 1 marih		5.10 Fb/	e year	5 <u>.29</u> 561		Open					Est. vol	Open int.
of Aunds at Intervention	- 0	10 year			len Jen	6.04	Mar	Upen 111-01	Sett price 110-14	Change -0-14	High 111-10	Low 110-09	87537	140275
							Jun	110-10	110-14	-0-14 -0-14	110-16	110-09	208	1311
							-			-		4ths of 1009		
							Strike		CA	<u> </u>			PUTS -	
							Price	Mar	Apr		Jun M		May	Jun
BOND FUTUR	ES AN	ID OP	TIONS				110	1-10 0-42	1-12		-54 0-4 -25 1-1		1-53 2-26	2-08 2-43
							111 112	0-42 0-21			-25 1-1 -02 1-3		2-20 3-05	2-43 3-20
<b></b>							Est. wol. total							-
France			• n				<b>6</b>							
NOTIONAL FRENC	CH BOND	FUTURE	S (MATIF) F	H500,000	_		Есц							
Open	Sett pnc		-	Low		-	ECU BO							
Mar 123.00 Iun 123.52	122.78	-0.0						Open	Sett price	-	High	Low	Est. vol.	-
lun 123.52 Sep 122,32	123.28 122.08	-0.0: -0.0:				15,093 2,262	Mar	91.60	91.48	+0.06	91.48	91.42	1,706	9.088
LONG TERM FRE				122.1		~,==								
Srike —		us —			PUTS -		us							
orka — Price Ma		m ms—	Sep	Mar	Jun PU18 -	Sep	US TREA		ייים מאו	RES (COT)	\$100.000 9	2nds of 100	%	
20 2.9	0	-	-	0.08	0.56		_ 00 IND							Once :-
21 2.0		-	-	0.19	0.80			Open	Latest	Change	High	Low	Est. vol.	Open int.
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			-	1.48	2.00		Sep	119-20	119-23	_	119-27	119-05	510	6.038
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S 0.6 M 0.2 L vol total, Cala 34.8 HEFTMAINY NOTIONAL GERM Open ar 100.69	7 1 26 Puss 24 VAN BUND Sett pric	FUTURI Chan	es (UFFE)* ( ge High 1 100.86	JM250.000 Low	0 100ths of 1 Est. vo 0 226555	Open int.	Mar Jun	Open 119.65 118.24	Close	Change	High 119.77 118.28	Low	Est. vol 2961 568	-
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#### MARKETS REPORT

## Federal Reserve cuts key US interest rates

By Our Markets Staff

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Est. vol. 1

The dollar rose on the foreign exchanges yesterday after the US Federal Reserve cut its key interest rates by a quarter point.

The Federal Reserve lowered its Federal funds rate to 5.25 per cent and its discount rate to 5.0 per cent.

The move was followed by the Bank of Canada, which lowered its key interest rates by a quarter point,

The prospect of fresh interest rate cuts had absorbed the attention of the foreign exchange markets throughout most of yesterday's European session, adding a note of uncertainty into trading. With the FOMC announce-

ment coming after the close of European trading, the dollar consequently moved in a limited range for most of the

European session. Meanwhile in Europe, the Bundesbank's decision to reduce the German repo rate -

by 15 basis points to 3.4 per cent - prompted speculation reduction in its discount or about further European interest rate cuts. Although the German currency was at first slightly dented by the move, it later recovered as the expectation grew that France and other European countries could follow suit.

■ The Bundesbank's decision to reduce its repo rate did not take the markets by surprise: with growth in Germany having weakened markedly in recent months, most traders had already anticipated a small

However, the scale of the cut was slightly larger than the 10 basis points that most dealers

had expected.

It also fuelled speculation that the Bundesbank might fol-

E Pour	ed in New Yor	k
Jan 30	Latest	- Prev. clase
£ spot	1.5180	1.5065
1 Dalih	1.5148	1.5055
3 mm	1,5727	1,5036
î yr	7.5015	1.4928

Lombard rate at its council meeting today.

However, most dealers said they thought this was unlikely. They said the Bundesbank would probably wait in order to assess the impact of its last rate cut on M3, its measure of the money supply.

But the German move was nevertheless thought likely to trigger further, slight easing elsewhere in Europe.

Belgium, which ties its monetary policy closely to Germany, followed suit immediately: its central rate was reduced to 3.40 per cent from 3.55 per cent and its end-of-day rate to 4.65 per cent from 4.80

slightly today, when it sets its special advances pact. Meanwhile, the Bank of France, which also meets today, is expected to cut its

own intervention rate by 20

The Netherlands is also widely expected to ease policy

"This environment where the Bundesbank is easing rates promotes more rapid growth across Europe and improves countries' chances of meeting the Maastricht criteria for monetary union," said Mr Lawrence Hatheway, senior currency strategist at UBS in Lon-

**CURRENCIES AND MONEY** 

Against the D-Mark (Lire per DM)

1.000

1,300

Source: FT Extel

the session.

1993

level of 4.2 per cent.

94

basis points from its current

■ Most European currencies

were initially buoyed by the

German repo rate cut before the D-Mark recovered later in

The Italian lira rose sharply

to end close to its recent highs, while the French franc closed

modestly higher against the

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

The lira found further support from the growing expectation that a new government rates were cut. would be formed soon.

It was also supported by comments by Mr Jean-Claude Trichet, governor of the Bank of France, who said that the Italian currency had the potential to appreciate against other European currencies.

closed higher at L1,071, from L1,074, while the French franc finished at FFr3.433, from FFr3.436. Traders said speculation of a small rate cut in France was likely to weaken the French franc in coming

■Trading in the dollar was

London session ahead of FOMC meeting. Dealers s the markets had discounted 25 basis points reduction in rates at the meeting.

The Canadian dollar rall strongly, buoyed partly rumours of a large buy or in London and on speculat that Canadian rates wou remain unchanged even if

In London, the dollar ished at DM1.4879 against D-mark from DM1.490. It clos at Y106.915 against the ye from Y107.2.

The pound finished sligh stronger against the D-Mark DM2.2482, from DM2.241. It w Against the D-Mark, the lira also ahead against the dollar \$1.511 from \$1.504.

Jan 31	£	\$
Czech Ro	41.1167 - 41.1482	27.2170 - 27.2270
Hungary	214.172 - 214.333	141.770 - 141.830
tae i	4533.90 - 4532.10	
Кимай	0.4528 - 0.4534	
Potend	3.8508 - 3.8553	25490 · 25510
Personal Property of	7163.56 - 7163.74	4740.00 - 4742.00
II A F	5 5497 _ 5 5517	26777 . 25731

Belgium week ago	,	3.2	33	32,	3-1 3-1	3 <u>13</u>	7.00	3.00	п.
França		41	41	42	41	4%	4.20	-	- 5.60
Week ago	1	44	41		43	412	4.20		- 5.60
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Ireland	,	45	379 5		3 <u>2</u> 5 <u>2</u>	3 <u>5</u> 5 <u>5</u>	5.00	3.00	. 5.3: - 6.2:
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Netherlands		33	9월 34		973 3	9 <u>2</u> 31	_	9.00 3.00	
week ago		314	35		3%	316	_	3.00	
Switzerland		24	7.4	1%	1.	176	5.00	1.50	
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week ago		576	5 <sub>0</sub>		5 <u>2</u> 52	5 <u>1</u> 52	-	5,25	
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at 11am each Westminster	working	day. The	Denk	s are: Bani	vers Trust	. Bank of T	okyo, B	arctays	and Nati
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D-Mark	34	- 35	3,3 -	. 3 <u> }</u> 31	2 - 311	3/9 . 3/9	34 -	3,	34 - 3
Dutch Guilder Franch Franc		- 34	314 - 413 -	318 31	- 3,	31 - 21	342 -		31 <sub>2</sub> - 3
Portuguese E		- 412 - 81g	6,7		- 4 <u>4.</u>	45 - 4倍 84 - 83	415 -	81	416 - 4 814 - 8
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Sterling Swiess Franc Can, Dollar Can, Dollar US THREEE M Mar Jun Sep Mar Jun Sep Dec	64 134 56 56 10,2 11,2 25 am call 10hth 1 Open 95,71 95,73 Open 96,76 98,81 96,61	- 1 <sup>5</sup> g - 5 <sub>1</sub> 2 - 5 <sub>1</sub> 2 - 9 <sub>1</sub> 2 - 1 <sub>2</sub> - 1 <sub>2</sub> - 1 <sub>3</sub> 2 for the l PEROFI 95.5 95.7 95.7 96.7 96.8 96.5	13 - 53 - 53 - 53 - 53 - 53 - 53 - 53 -	15g 13 5s2 54 5s4 55 9s3 97 3s3 3s3 2s2 2s2 2s2 40.08 +0.08 +0.04 +0.04 +0.04 +0.02 -0.07	1-158 (-515 5-515 5-515 5-515 6-515 6-716 7-716	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1 %	15 5 1 6 1 5 1 6 1 6 1 6 1 6 1 6 1 6 1 6	113 - 115 - 15 - 15 - 15 - 15 - 15 - 15
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Sterling Swies Franc Can. Dollar US Dollar US Dollar US Dollar US Dollar US Dollar US Dollar Haisen Lora Yen Asian SSing Shon tenn sobr THREEE M Mar Jun Sep  Mar Jun Sep Dec THREEE M Mar Jun Sep Dec THREEE M	61 13 15 15 15 15 15 15 15 15 15 15 15 15 15	- 15,	13-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5	15a 13 55a 54 55a 54 55a 55 97 97 97 97 97 97 97 97 97 97	- 15g - 5l; - 5l; - 7l; - 2l; - 2l; - others: TIE) Page 95.76 95.76 95.76 95.89 96.87 96.87 96.87 10FFE! High 90.82 91.48 PUTURN High	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	134	15-1 9-1 1-1 1-1 1-1 1-1 1-1 1-1 1-1 1-1 1	133 - 1552 - 5552 - 44 933 - 276 FFISm) Open I 17190 Open I 171936 15640 15056 Open I 2714 2877- 1690 Open I 2877- 1690 Open I
Sterling Swies Franc Can. Dollar US Dollar US Dollar US Dollar US Dollar US Dollar US Dollar Stern Yen Asian SSing Stern term sate III THREEE III Mar Jun Sep Dec III THREEE III Mar Jun Sep Dec III THREEE III Mar Jun Sep	6.1 12 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	- 15,	13-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5	15a 13 55a 54 55a 54 55a 54 97a 97a 97a 97a 97a 97a 97a 97a 15a 97a	- 15g - 5l; - 5l; - 7l; - 2l; - 2l; - others: TIE) Person High 95.57 95.76 95.76 96.81 96.81 96.84 96.84 96.85 91.40 91.48 FUTURE	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	134	15 5 19 9 9 1 5 19 9 9 1 5 19 9 9 1 5 19 9 9 1 5 19 9 1 5	113 - 1 5 5 - 5 5 5 5 - 4 4 9 1 - 9 5 5 8 2 5 1 8 1 3 9 3 0 0 17636 15640 15656 0 f 1009 0 f 1009 1 2352
Sterling Swies Franc Can. Dollar US Dollar US Dollar US Dollar US Dollar US Dollar US Dollar Haisen Lora Yen Asian SSing Shon term solve THREEE M Mar Jun Sep Mar Jun Sep Dec THREEE M Mar Jun Sep Dec THREEE M Mar Jun Sep Dec THREEE M Mar Jun Sep Sep Dec	61 13 15 15 15 15 15 15 15 15 15 15 15 15 15	- 15, - 5, - 5, - 5, - 5, - 5, - 5, - 5,	13-5-5-9-32-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-	15a 13 55a 54 55a 54 55a 54 55a 54 55a 54 57a 54 57a 54 57a 54 67a 55 67a 56 67a 56	- 15 c - 51 c -	134 - 156 514 - 516 - 516 514 - 516 - 516 514 - 516 514 - 516 514 - 516 514 - 516 514 - 516 514 - 516 515 - 516	134 - 554 - 554 - 554 - 555 -	15g 91s 15lg	113 - 11 5 2 - 5 5 5 2 - 4 1 9 1 5 2 5 2 5 2 5 1 8 1 2 5 1 8 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2
Sterling Swies Franc Can Dollar US Dollar Short term take  THREE M  Mar Jun Sep Dec  THREE M  Mar Jun Sep Dec  THREE M  Mar Jun Sep Dec  THREE M	61 13 13 13 13 13 13 13 13 13 13 13 13 13	- 15, - 5, - 5, - 5, - 5, - 5, - 5, - 5,	13-5-5-9-31-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-	15s 13 55c 54 55c 54 55c 54 55c 54 55c 54 55c 54 55c 54 55c 56 67 67 67 67 67 67 67 67 67 6	- 15g - 5l-4 - 5l-5 - 5l-4 - 9-7 - 2l-2 - others - 10f Pan - 10f Pan	13s - 15s 51s - 51s 51s - 51s 51s - 51s 51s - 51s	134	15g 91g 91g 91g 91g 91g 91g 91g 91g 91g 91	113 - 115 - 155 - 555 - 54 - 41 93 - 35 - 27 93 - 37 - 37 - 37 - 37 - 37 - 37 - 37
Sterling Swies Franc Can. Dollar US Dollar US Dollar US Dollar US Dollar US Dollar US Dollar Haisen Lora Yen Asian SSing Shon term solve THREEE M Mar Jun Sep Mar Jun Sep Dec THREEE M Mar Jun Sep Dec THREEE M Mar Jun Sep Dec THREEE M Mar Jun Sep Sep Dec	61 13 13 13 13 13 13 13 13 13 13 13 13 13	- 15, - 5, - 5, - 5, - 5, - 5, - 5, - 5,	13-5-5-9-31-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-	15s 13 55c 54 55c 54 55c 54 55c 54 55c 54 55c 54 55c 54 55c 56 67 67 67 67 67 67 67 67 67 6	- 15g - 5l-4 - 5l-5 - 5l-4 - 9-7 - 2l-2 - others - 10f Pan - 10f Pan	134 - 156 514 - 514 514 - 514 514 - 514 515 -	134	15g 91s 15lg	113 - 115 - 155 - 555 - 54 - 41 93 - 35 - 27 93 - 37 - 37 - 37 - 37 - 37 - 37 - 37
Sterling Swies Franc Can Dollar US Dollar Short term take  THREE M  Mar Jun Sep Dec  THREE M  Mar Jun Sep Dec  THREE M  Mar Jun Sep Dec  THREE M	61 13 13 13 13 13 13 13 13 13 13 13 13 13	- 15, - 5, - 5, - 5, - 5, - 5, - 5, - 5,	13	15s 13 55c 54 55c 54 55c 54 55c 54 55c 54 55c 54 55c 54 55c 56 67 67 67 67 67 67 67 67 67 6	- 15g - 5l-4 - 5l-5 - 5l-4 - 9-7 - 2l-2 - others - 10f Pan - 10f Pan	134 - 156 514 - 514 514 - 514 514 - 514 515 -	134	15g 91s 15lg	113 - 1 5 5 - 5 5 5 5 - 4 4 9 1 - 9 5 8 - 1 3 3 - 2 7 5 5 8 2 5 1 8 1 3 9 3 0 0 17636 15640 15056 0 1009 0 1 6 1009 0 1 6 1009 0 1 6 1009 0 1 6 1009 0 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Sterling Swies Franc Can. Dollar US Dollar Halan Lar Yen Asian SSing Stern term sate III THREE III Mar Jun Sep Dec III THREE III Mar Jun Sep	6.1 12 12 12 12 12 12 12 12 12 12 12 12 12	- 1% - 5.2 9.2 1% - 1% - 1% - 1% - 1% - 1% - 1% - 1	13-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5	15a 13 55a 54 55a 54 55a 54 97 97 33 7 21 22 22 24 25 8 8 97 97 97 97 97 97 97 97 97 97 97 97	- 15g - 5l; - 5l; - 2l; - 2l; - others High 95.576 95.76 95.76 96.81 96.82 91.40 91.40 91.48 FUTURE High 98.29 91.40 91.48 PUTURE High 98.29 98.18 98.39 98.45 PUTURE High 98.29 98.18 98.39 98.45 PUTURE High 98.29 98.18 98.39 98.18 98.39 98.45 PUTURE High 98.29 98.18 98.39 98.18 98.39 98.45	13s - 15s 51s 51s 51s 51s 51s 51s 51s 51s 51s	1%	15-1-9 9.15 15-1-9	133 - 1552 - 5552 - 4 931 - 9 9325 - 13 10 10 10 10 10 10 10 10 10 10 10 10 10
Sterling Swies Franc Can Dollar US Dollar Hallen Assan Sang Shon tent THREE M  Mar Jun Sep Dec	61 13 13 13 13 13 13 13 13 13 13 13 13 13	- 1% - 5.2 5.	13	15a 13 55a 53 55a 53 55a 53 55a 53 55a 53 55a 53 55a 53 56a 53 67a 22 67a 25 67a 25	- 15g - 5l-4 - 5l-5 - 5l-4 - 5l-6 - 5l-6 - 5l-7 - 5l-7 - 6theres - 10theres - 10	13s - 15s 51s - 51s 51s - 51s 51s - 51s	134 - 544 -	15-1-9 5-1-9 5-1-9 5-1-9 5-1-9 5-1-9 5-1	113 - 1 5 - 5 - 5 - 5 - 5 - 5 - 5 - 5 - 5 -
Sterling Swies Franc Can Dollar US Dollar Sterling Sterling Mar Jun Sep Dec THREE M Mar Jun Sep Dec THREE M Mar Jun Sep Dec THREE M Mar Jun Sep Dec	61 13 15 15 15 15 15 15 15 15 15 15 15 15 15	- 15, - 5, - 5, - 5, - 5, - 5, - 5, - 5,	13	15a 13 55a 53 55a 53 55a 53 55a 53 55a 53 55a 53 57a 97a 97a 97a 121a 25 121a 25 1	- 15g - 5l-4 - 5l-4 - 5l-4 - 5l-4 - 5l-4 - 5l-4 - 5l-4 - 5l-4 - 6l-7 - 7l-7 - 7l-7	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	134	15-1-9 5-1-9	133 - 1552 - 555
Sterling Swies Franc Can. Dollar US Sing Sterline m sate Sterline m sate Sterline m sate US THREE  Mar Jun Sep Dec	6.1 13 13 13 13 13 13 13 13 13 13 13 13 13	- 15, - 5, - 5, - 5, - 5, - 5, - 5, - 5,	13-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5	15a 13 55a 53 55a 53 55a 53 55a 53 55a 53 55a 53 55a 53 56a 53 67a 22 67a 25 67a 25	- 15g - 5l-4 - 5l-5 - 5l-4 - 5l-6 - 5l-6 - 5l-7 - 5l-7 - 6theres - 10theres - 10	13s - 15s 51s - 51s 51s - 51s 51s - 51s	134	15-1-9 5-1-9 5-1-9 5-1-9 5-1-9 5-1-9 5-1	133 - 1552 - 555
Sterling Sterling Swiess Franc Can. Dollar US Dollar US Dollar US Dollar US Dollar US Dollar US Dollar Haisen Lara Yen Asian SSing Shon tenn solve THREEE M Mar Jun Sep Dec THREEE M	61 13 13 13 13 13 13 13 13 13 13 13 13 13	- 1% - 5.2 5.	13-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5	15a 13 55a 54 55a 54 55a 54 55a 54 55a 54 55a 54 55a 54 55a 54 67a 54	- 15g - 5l-4 - 5l-5 - 5l-4 - 5l-6 - 5l-6 - 5l-7 - 5l-7 - 6thered - 10ft Pann High 95.87 95.86 96.84 96.87 High 90.82 91.16 91.40 95.62 95.61 95.62	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	134	15-1-9 5-1-9	113 - 1 5 - 1 5 - 5 - 5 5 5 - 5 - 5 5 5 - 5 -
Sterling Sterling Swiess Franc Can. Dollar US Dollar US Dollar US Dollar US Dollar US Dollar US Dollar Haisen Lara Yen Asian SSing Shon tenn sote THREE M Mar Jun Sep Dec	61 13 13 13 13 13 13 13 13 13 13 13 13 13	- 15, - 5, - 5, - 5, - 5, - 5, - 5, - 5,	13-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5	15a 13 55a 54 55a 54 55a 54 55a 54 55a 54 55a 54 55a 54 57a 54 57a 54 67a 54	- 15g - 5l-4 - 5l-5 - 5l-4 - 5l-6 - 5l-6 - 5l-7 - 5l-7 - 6thered - 10ft Pann High 95.87 95.86 96.84 96.87 High 90.82 91.16 91.40 95.62 95.61 95.62	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	134	15-1-9 55	133 - 1552 - 555
Sterling Sterling Swiess Franc Can. Dollar US Dollar US Dollar US Dollar US Dollar US Dollar US Dollar Haisen Lara Yen Asian SSing Shon tenn solve THREEE M Mar Jun Sep Dec THREEE M	61 13 13 13 13 13 13 13 13 13 13 13 13 13	- 15, - 5, - 5, - 5, - 5, - 5, - 5, - 5,	13-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5	15a 13 55a 53 55a 53 55a 53 55a 53 55a 53 55a 53 55a 53 56a 97 21a 25 6ar and Yek RESS (MAC) 40.06 +0.04 +0.02 -0.07 **UTURES **Change +0.13 **O.10 **O.04 **O.05 **O.04 **O.05 **O.04 **O.05 **O.04 **O.05	- 15g - 5l-4 - 5l-5 - 5l-4 - 5l-6 - 5l-6 - 5l-7 - 5l-7 - 6thered - 10ft Pann High 95.87 95.86 96.84 96.87 High 90.82 91.16 91.40 95.62 95.61 95.62	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	134	15-1-9-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1	133 - 1552 - 555
Sterling Swies Franc Can Dollar Swies Franc Can Dollar US Dollar US Dollar US Dollar US Dollar US Dollar US Dollar Halian Lora Yen Asian SSing Short tenn sake II THREE II II	61 13 13 13 13 13 13 13 13 13 13 13 13 13	- 15, - 5, - 5, - 5, - 5, - 5, - 5, - 5,	13-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5	15a 13 55a 53 55a 53 55a 53 55a 53 55a 53 55a 53 55a 53 57a 97 57a 97	- 15g - 51g - 68g - 76g -	13s - 15s 51s - 51s 51s - 51s 51s - 51s	134 PUT	15-1-9 15	133 - 15 534 - 4 534 - 4 931 - 93 3 - 27 55,822 51,811 39,300 Open ii 17190 17636 15640 15056 Open ii 47144 28777- 16900 9950 of 1009- Open ii 2352- 21411 10577- 5328
Sterling Swies Franc Can Dollar Swies Franc Can Dollar US Dollar US Dollar US Dollar US Dollar US Dollar US Dollar Halien La  Yen Asian SSing Sterling Sterling Mar Jun Sep Dec THREE M M Mar Jun Sep Dec THREE M M M  M  M  M  M  M  M  M  M  M  M	61 13 15 15 15 15 15 15 15 15 15 15 15 15 15	- 15, - 5, - 5, - 5, - 5, - 5, - 5, - 5,	13-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5	15a 13 55a 53 55a 53 55a 53 55a 53 55a 53 55a 53 55a 53 56a 53 57a 25 58a and Yer MCES (MA Change +0.04 +0.02 -0.07 Change +0.13 +0.13 +0.13 +0.13 +0.13 5FRANC Change +0.04 10.03 ES (LIFFE) 10.06 +0.04 10.03 ES (LIFFE) 10.06 +0.06 +0.04 10.03 ES (LIFFE) 10.06 +0.06 +0.06 +0.03 ES (LIFFE) 10.06 +0.06 +0.06 +0.06 +0.07 +0.03 ES (LIFFE) 10.06 +0.06 +0.06 +0.06 +0.06 +0.06 +0.06 +0.07 +0.07 +0.08 +0.	- 15g - 51g - 71g -	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1% PUI Ju	15-1-9-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1	133 - 15 534 - 5 534 - 4 931 - 9 33 - 23 33 - 23 37 - 23 55,822 51,811 39,300 Open is 17190 17636 15640 Open is 47144 2877-1690 07 - 1690 07 - 1690 07 - 1690 08 - 1690 09 - 1690

WORLD INTEREST RATES

One Three Six month mths mths

Qne year

Lomb. Inter.

Dis. rate

MONEY RATES

## POUND SPOT FORWARD AGAINST THE POUND 15 8080 +0.0488 018 - 142 15.8248 15.7527 15.7645 3.3 15.7205 2.2 45.0715 8.7003 +0.0262 963 - 043 8.7067 8.6881 8.687 1.8 8.6829 1.7 8.5651 8.8904 +0.0083 734 - 874 6.8960 8.8580 6.876 0.8 6.8679 0.7 7.7178 +0.018 151 - 205 7.7262 7.6951 7.705 2.0 7.6849 1.7 7.5973 2.2482 +0.007 473 - 490 2.2505 2.2383 2.2427 3.0 2.2328 2.7 2.1884 371.85 -0.452 013 - 357 372.593 370.502 0.9646 1.1 0.9633 0.9 0.555 +0.0012 647 - 662 0.9665 0.9540 0.9646 1.1 0.9633 0.9 0.9559 2408.53 +1.65 730 - 977 2413.64 2401.50 2415.88 -3.6 2450.43 -3.5 2489.58 46.2215 +0.1147 821 - 609 48.2909 48.1050 48.1165 2.7 45.9115 2.7 45.0715 2.5171 +0.0078 162 - 180 2.5192 2.5082 2.5109 3.0 2.4962 3.0 2.4474 9.8412 +0.0248 336 - 488 9.8502 8.7769 9.8311 1.2 8.8098 1.3 9.7284 233.253 +0.545 131 - 376 233.403 232.463 233.678 -22 234.553 -2.3 189.419 -0.063 336 - 502 189.649 189.113 189.829 -2.6 190.894 -2.7 194.148 10.4877 +0.0194 880 - 0.73 10.5062 10.4402 10.4997 -0.2 10.503 -0.2 10.5062 10.4402 10.4997 -0.2 10.503 -0.2 10.5062 10.4002 10.4997 -0.2 10.5002 -0.2 10.5062 10.4002 10.4997 -0.2 10.5002 10.4002 10.4902 -0.2 10.5062 10.4002 10.4902 -0.2 10.5062 10.4002 10.4902 -0.2 10.5062 10.4002 10.4902 -0.2 10.5062 10.4002 10.4902 -0.2 10.5062 10.4002 10.4002 10.4002 10.4002 10.4002 10.400 UK Ecu SORT 1.2244 +0.0012 239 - 248 1.2258 1.2209 1.223 1.4 1.2202 1.4779 +0.0066 773 - 784 2.0791 +0.0058 783 - 799 11.2267 +0.1748 189 - 365 1.5110 +0.0067 107 - 713 +0.1623 660 - 115 38.3120 38.1400 38.2888

		mid-point	on day	spread	high	low	Rate	%PA	Rate	%PA	Rate	%PA	index
Europe													
Austria	(Sch)	10,4620	-0.0141	599 - 640	10.4930	10.4420	10,4465	1.8	10 4145	1.6	10.292	1.6	106.1
Belgium	(BFr)	30.6900	-0.06	700 - 100	30.6820	30.5470	30.538	2.0	30,4375	2.0	30.075	1.7	108.0
Denmark	(DKr)	6.7580	-0.0082	565 - 595	5.7755	5.7470	5.753	1.0	5.7435	1.0	5.7655	-0.1	108.4
Finiand	(FM)	4.5536	-0.0147	498 - 573	4.5770	4.5456	4.5485	1.3	4.5399	1.2	4.5111	0.9	84.6
France	(FFri	5.1078	-0.0107	070 - 085	5.1266	5.1030	5.1033	1.0	5.0963	0.9	5.0738	0.7	109.0
Germany	(DM)	1.4879	0.002	876 - 881	1,4925	1.4850	1.4854	2.0	1.4807	1.9	1.4614	1.8	109.
Greece	(04)	245,655		590 - 720	247.080		247.33		250.58	-80	265,405	-8.0	65.
keland	ĪΘ	1.5651	+0.005	641 - 660		1.5590	1.5655	-0.3	1.566	-0.2	1.5521	0.2	-
talv	ĹĎ.	1594.00	-6	350 - 450	1603.00	1590.20	1600.85	-52	1612.9	-4.7	1671	-4.6	72.
Luxembourg	(LÉr)	30.5900	-0.06	700 - 100	30.6820	30.5470	30.538	2.0	30.45	1.8	30.145	1.5	108.
Netherlands	Œ	1.8859		656 - B81	1.6712	1.5832	1.8628	2.2	1.6564	2.3	1.6333	20	107.5
Norway	(NKs)	6.5131		093 - 168	6.5405	6.4885	6.5108	0.4	6.5026	0.6	6.4856	0.4	97.
Portugal	(Es)	154,370		320 - 420	154.820		154,745	-2.9	155.515	-3.0	159.12		95.
Spain	(Pta)	125,360		330 - 390	125.890			-3.B	126.49	-3.6	129.98	-3.7	81.
Sweden	SKA	6.9475		425 - 525	€.9743	6.9280	5.9946	-29	5.994	-2.7	7.1315		35.
Switzerland	(SFr)	1.2101		096 - 106	1.2175	1,2090	1.2067	3.4	1.1995	3.5	1.172	31	113.
JK	,, E0	1.5110		107 - 113	1.5125	1,5050	1.5096	1.0	1.5079	8.0	1.4974	0.9	82
Ecu	~	1.2341		338 - 343	1.2348	1.2300	1.2344	-0.3	1.2348	-02	1.2354	-0.1	-
SDR+		0.68780	70.00-12	330 - 340	123-0	1.2000	120		120-0	-02	12354	-V. I	
Americas		5.54,65	_			_			_	_	_	_	
Argentina	(Pesci	0.9999		996 - 999	1.0000	0.9999		-		_	_	-	
4 garten. 3 razil	(RS)	0.9781		779 - 782	0.9810	0.9779	_	_	_	_	_	_	
Cenada	(CS)	1.3760		757 - 762	1.3836	1.3736	1,3761	-0.1	1.3762	-0.1	1.3813	-0.4	62.
	ارتاب (Peso د	7.4300		250 - 350	7.4400	7.4100	7.4322	-0.1	7.4354	-0.1	7,4403	-0.1	DE.
Medico (146) JSA	(35)	7.4300	+0.003	230 - 330	7.4400	1.4100	1.4322	-0.4	7.4304	-0.3	1.4403	-0.1	97.
actic/Middle			-	-	-	-	•	-	-	-	•	•	97.
vetralia	(A\$)	1.3426	_0 005S	423 - 432	1.3432	1,3423	1.3448	-1.8	1,3481	-1.6	1.3558	-1.8	88.
long Kong	(HKS)	7.7320		315 - 325	7.7330	7.7315	7.7327	-0.1	7.7345	-0.1	7.7815	-0.4	<b>.</b>
ndia ndia	(Fis)	38,4350		100 - 600	36,7000		36.585	-4.9	36.89	-5.0	38.36	-5.3	
						3.1347	30.303	-4.9	30.09	-3.0	30.30	-3.3	
srael	(Shrk)	3.1371		347 - 384			400 47		405.64		102.33	4.3	486
lapan Asis sis	M	108,915		890 - 940	107.570	2.5592	108.47 2.5611	5.0	105.64	4.8	2.5907		136.
<i>lalaysia</i>	(MS)	2.5602		587 - 607	2.5625			-0.4	2.5672 1.4954	-1.1		-1.2	
lew Zealand	(NZS)	1.4865		859 - 874	1.4889	1.4859	1.4896	-2.5	1,4904	-2.4	1.52	-2.3	
hilippines	(Peso)	26.1820		770 - 870	26,1870								
Saudi Arabla	(SR)	3.7505		503 - 505	3.7506		3.751	-0.1	3.7517	-0.1	3.755	-0.1	
ingapore	(5\$)	1.4193		188 - 198	1.4230	1.4188	1.4158	3.0	1.4098	2.7	1.3843	2.5	
iouth Africa	(FI)	3.6498		483 - 503	3.8532	3.6493	3.6785	-9.5	3.73	-8.8	3.9533	-8.3	
outh Korea	(Won)	785,250		200 - 300	786,700		788.25	-4.6	791.75	-3.3	810.25	-3.2	
'alwan	(12)	27.4895		690 - 700	27.4820		27.4895	-0.9	27.5295	-0.9	•	-	
hailand	(Bt)	25.3400	-0.005	300 - 500	25.3500	25.3300	25.4387	-4.7	25.6425	-4.B	26,525	-4.7	
SDR rate per S varies but are in													

			·	•														
CROSS	RATE	S AN	D DER	VATIV	ES											_		
EXCHAN	IGE CR	oss	RATES	 5		_												
Jan :	31	_ 8Fr	DKr	FF <sub>T</sub>	DM	Œ	L	A	NKr	Es	Pta	SKr	SFr_	£	C\$	\$	Y	Ecu
Belglum	(BFr)	100	18.82	16.70	4.864	2.088	5210	5,446	21.29	504.5	409.8	22.70	3.955	2,164	4.498	3.269	349,4	2.648
Denmark	iDK:	53,13	10	8.871	2.584	1.109	2768	2.893	11.31	268.0	217.7	12.06	2,101	1,149	2.390	1.737	185,6	1.407
France	(FFr)	59.89	11 <i>.2</i> 7	10	2.913	1.250	3120	3,261	12.75	302.2	245.4	13,59	2.368	1.296	2.694	1.958	209.3	1.588
Germany	(DM)	20.56	3.870	3,433	1	0.429	1071	1.120	4,378	103.7	84.25	4.666	0.813	0.445	0.925	0.672	71.84	
heland	(£2)	47.90	9.016	7,998	2,330	1	2495	2.608	10.20	241.7	196.3	10.87	1.894	1.036	2.154	1.586	157.4	
<u>alai</u> y	(L)	1.919	0.361	0.321	0.093	0.040	100.	0,105	0.409	9.684	7.865	0,438	0.076	0,042	0.088	0.063	6.707	
<ul> <li>Netherlands</li> </ul>	(FI)	18.36	3.456	3.088	0.893	0.383	956.7	1	3.910	92.65	75.25	4.168	0.726	0.397	0.826	0.600	64.16	
Norway	(NKr)	46.97	8.841	7.843	2.284	0.981	2447	2.558	10	237.0	192.5	10.66	1.858	1,016	2.113	1.535	164.1	
Portugal	(ڪ)	19.82	3.731	3.310	0.964	0.414		1.079	4.220	100.	81.22	4.498	0.784	0,429	0.892	0.648	69.25	
Spain	(Ptal)	24.40	4.593	4.075	1.187	0.510		1.329	5.196	123.1	100.	5.539	0.965	0.526	1.098	0.798	B5.27	
Sweden	(SKr)	44.06	8.294		2.143	0.920	2296	2.399	9.381	222.3	T80.6	10	1.743	0.953	1.982	1,440	154.0	
Switzerland	(SFr)	25.28	4.759	4.222	1.230	0.528	1317	1.377	5.383	127.6	103.6	5.739	1	0.547	1.137	0.827	89.35	
UK	(2)	48.22	8.700	7,718	2.248	0.985		2.517	9.841	233.2	189.4	10.49	1.828	1	2.079	1.511	161.5	
Canada	(CS)	<u>22.2</u> 3	4.185	9,712	1,081	0,484	1158	1.211	4.734	112.2	91.10	5.048	0.679	0.481	1	0.727	77.68	
US	(5)	30.59	5.758		1.488	0.638	1584	1.665	8.513	154.3	125.3	6.942	1.210	0.662	1,376	1	106.9	
Jepen	m	28.62	5.387	4.779	1.392	0.598	1491	1.559	6.093	144.4	117.3	6.495	1.132	0.619	1.287	0.936	100.	0.758
Ecu		37.76	7.108	6.306	1.837	0.788	1957	2.056	8.040	190.5	154.7	8.570	1.493	0.817	1.699	1.234	181.9	. 1
Denish Kroner,	Franch Fran	c, Norwe	gian Kroner,	and Sweds	sh Kronor	per 10;	Belgien Fr	ranc. Yen, Es	cudo, Lira	end Peeet	a per 100.							
E D-MARK	FUTURES	(мм) і	OM 125,000	3 per DM					11	APANES	E YERL F	JTURËS	(IMM) Yen	12.5 per	Yen 100			
	Open	Latest	Change	. High	Lo	w	Est. voi	Open int.			Open	Latest	Change				Est. vol	Open Int.
Mar	0.6732	0.8734	+0.000	0.8752	0.67	17	18,804	63,781	Mar		0.9391	0,9402	+0.0015				19,951	79,440
	0.6765	0.6768	+0.0000	2 0.6789	0.67	65	443	3,668	Jun	(	1.9516	0.9512	+0,0015	0.953	4 D.9	512	505	4,367
Sep	-	0.6796	-	-	0.87		11	1,377	Sep		-	0.9596	-	-		-	3	729

	,874 43,227 05 1,374 98 93									
LONDON MONEY RATES										
,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	ix One nths year									
	- 6½ 6½ - 6 - 6½ 6½ - 6									
	518 - - 614 616 - 6									
January 18, 1996										
3-6 6	19 9-12 nths months									
	5 4%									
en tor cash 1 lept. Export Finance. Meke i Schemes II & III 7.69pc. Ic. Finance House Base ESOO,000 points of	e Riste 8.5pc trom 100%									
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00.00	335 85189 412 76121									
	412 76121 502 56382									
	769 44190									
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20.0-										
day.										
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SWIBS FRANC FUTURES (IMM) SF- 125,000 per SF-

Adam & Company 525 Allied Trust Bank	Ouncan Lawris	% Royal Bk of Scotland 6.25 Scotland 6.25
AR Bank 6.25 Ottomy Ansbether 5.25 Bank of Serode 5.25 Bank of Ottomy 6.25 Bank of Cyprus 6.25 Bank of Cyprus 6.25 Bank of India 6.25 Bank of India 6.25 Bank of India 6.25 Bank of Scotland 6.25	Financial & Gen Benk7.00  Robert Fleming & Co 6.25 Globark	eSmith & Wilman Secs. 6.25 TSB
Bardaye Bank	C. Hoses & Co	Members of London Investment Banking Assectation     In administration

0.54

0.38

obal, Cella 3786 Puss 2007. Previous day's open Int., Cella 126025 Puss 137926

0,43 0.25

0.12

0,04 0,15

0.07

0.26

Spike Price

9875 9700 9725

Strike Price

Feb

0.09

Jun Sep		0.9512 + 0.9598	0.0015	0.9534	D.9512 -	505 3	4,387 729
STERLE	KG FUTURE	\$ (UMAN) 282	,500 per	٤			
Mar	1.5050	1.5058 +	0.0016	1.5094	1.5032	6,388	50,692
Jun	-	1.5040 +	0.0026	1.5070	-	15	261
Sep	_	1.5020 +	0.002B	1.5040	-	4	5
	JROPEA						<b></b>
Jen 31	Ecur cen rates	. Rete egainst 1		hange n day	% +/- from cen. rate	% spreakt	
1 <del></del>	182,493			-0.523	-2.01	4.58	14
Spain Netherland				-0.023 1.00197	-1.72	4.27	13
Belgium	39.3960			0.0299	-1.44	3.97	11
Austria	13.4383			0.0239	-1.1B	3.70	ë
Garmany	1.91007			.00192	-1.12	3.64	11
Portugal	195,792			-0.355	-0.03	2.51	Ö
Denmark	7.28580			00499	0.30	217	-ž
France	6,40608			.00283	1.27	1.20	-11
Ireland	0.792214			001839	2.48	0.00	-17
NON ERM		4.01.12			~		
Greece	292.867	312.1	89	-0.348	6.60	-3.86	-
italy	2106.15			-2.12	-3.79	B.51	_
UK	0.786652			102811	6.92	-4.15	_
	u,/access tes set by the E						-
for a currency	nanges are for E two upreads: the , and the maxings. to. Ing and Italian I	num permittec	percentix	ge devision	u or die Chueu	cha usassa	100 print 005
	ELPHIA SE			50 (cents	bet bonua)		
Strike		CALLS		-		PUTS	<del></del>
Price	Feb	Mar	Ą	DK.	Feb	Mar	Apr
1.500	1.20	1.89	2,4	14	0.81	1.65	2.16
1,510	0.67	1.41	1.5	37	1.27	2.17	2.64
1.620	0.34	1.02	1.5	56	1,94	2.55	3.23
1,530	0.22	0.72	1.2	22	2.67	3.24	3.88
1.540	0.10	0.48	O.S	33	3.55	4,00	4.59
1.550	0.04	0.31	D.E	90	4.48	4.81	•
	vol., Calls 2,7	3 Puts 7,870	. Prev. de	/s open in	L, Calls 169,40	99 Puta 205,0	042
			بالك				والتنصير
II THREE	MONTH EUR	MALLODON	(MM) S	lm points	of 100%		
1	Open	Listeet C	hange	High	Low	Est. voi	Open Int.
			-0.03	94.77		~ ~	454040
Mar	94.72	94,75	HU.U3	<b>~</b> ,,,,	94,72	61,851	434,343
Mar			+0.03 +0.04	95.12	94.72 95,07	92,326	434,343 440,444
Jun	95.07	95.11	-0.04	95.12	95.07	92,326	44D,444
Jun Sep	95.07 95,21	95.11 95.25	+0.04 +0.04	95.12 95.26	95.07 95.21		
Jun Sep	95.07 95,21 SURY BELL	95.11 95.25 PUTURES	+0.04 +0.04 (IMM) \$1	95.12 95.26 m per 10	95.07 95.21 10%	92,326 57,523	440,444 302,622
Jun Sep	95.07 95,21 ASURY BELL 95.19	95.11 95.25 <b>PUTURES</b> 95.21	+0.04 +0.04 (IMM) \$1 +0.04	95.12 95.26 m per 10 95.22	95.07 95.21 95.19	92,326 57,528 1,481	440,444 302,622 9,499
Jun Sep	95.07 95,21 SURY BELL	95.11 95.25 <b>PUTURES</b> 95.21 95.52	+0.04 +0.04 (MM) \$1 +0.04 +0.03	95.12 95.26 m per 10 95.22 95.54	95,07 95,21 96,19 95,50	92,326 57,528 1,481 885	9,499 6,648
Jun Sep El US TREE	95.07 95,21 ASURY BELL 95.19	95.11 95.25 <b>PUTURES</b> 95.21 95.52	+0.04 +0.04 (IMM) \$1 +0.04	95.12 95.26 m per 10 95.22	95.07 95.21 95.19	92,326 57,528 1,481	440,444 302,622 9,499
Jun Sep Mar Jun Sep	95.07 95.21 <b>SCHRY SELL</b> 95.19 96.51	95.11 95.25 <b>PUTURES</b> 95.2 <sub>1</sub> 95.5 <sub>2</sub> 95.5 <sub>5</sub>	+0.04 +0.04 (IMM) \$1 +0.04 +0.03 +0.03	95.12 95.26 m per 10 95.22 95.54	95,07 95,21 96,19 95,50	92,326 57,528 1,481 885	9,499 6,648
Jun Sep Mar Jun Sep Air Open Iran	95.07 95.21 <b>ASUMY SELL</b> 95.19 96.51 95.85	95.11 95.25 <b>FUTURES</b> 95.21 95.52 95.55 Privious de	+0.04 (IMM) \$1 +0.04 +0.03 +0.03	95.12 95.26 m per 10 95.22 95.54 95.65	95.07 95.21 10% 95.19 95.50 95.65	92,326 57,528 1,481 885	9,499 6,648

Jun

0.21 0.08 0.02

Est. vol. Local, Cale 16396 Puts 5338, Previous days open int., Cale 274848 Puts 266075 R EURO SWISS FRANC OPTIONS (LIFFE) SFY 1m points of 10096

Apr

0.17 0.05 0.01

Jun

0.11 0.04

Mar

0.12

0.22 0.40

0.15 0.33

Apr

0.25 0.38

Mar Jun	0.9391 0.9516	0.9402 0.9512	+0.0015 +0.0015	0.9427 0.9534	0.9359 0.9512	19,951 505	79,440 4,367
Sep	-	0.9598	-	-	-	3	729
STERLA	O FUTUR	es (MM)	262,500 pe	r &			
Mar	1.5050	1.5058	+0.0016	1.5094	1.5032	6,388	50,692
Jun	-	1.5040	+0.0026	1.5070	-	15 4	261
Sep	-	1.5020	+0.0028	1.5040	-	4	5
EMS EU					<b>-</b>	_	
Jan 31	Ecu ca rates			Change on day	% +/- from cen. rate	% spre	
Spain	182.49		9.232	-0.523	-2.01	4.58	14 18
Netherlands Belakum	2.1521 39.396			0.00197 +0.0299	-1.72 -1.44	4.27 3.97	11
Austria	13.438		2797	+0.0139	-1.18	3.70	'e
Germany	1.9100			0,00192	-1.12	3.64	11
Portugal	195.79	2 19	5.738	-0.355	-0.03	2.51	0
Denmark	7.2858	<b>30</b> 7.3	30902 +	0.00499	0.30	2.17	-2
France	6,4080			0.00283	1.27	1.20	-11
ireland	0.79221	4 0.6	11960 -0	L001839	2.48	0.00	-17
NON ERM A	ACMBEDS						
Greece	792.86	7 91	2.182	-0.348	6.60	-3.88	_ 1
italy	2106.1		26.42	-2.12	-3.79	B.51	_ :
UK	0.78665			.002611	6.92	-4.15	-
Edu central rat Percentage chi ratio between to for a currency. Edu central rat	anges are for two upreads: , and the max	gum bew the backers gard a boa	zive change tage different itted percent	denotes a w de between t	tesk Currency. De ectual med	cy's market	control rates.
					ent calculated	by the Finar	nçissi Times.
E MELADI		E/S OP1	<b>70145</b> 631				ncial Times.
E PHELADI	ELPHRA SI	E/S OP	70NS 031	.250 (cents	per pound)	PUTS	
EL PHELADI Strike Price	ELPHRA SI	E/S OP1	10MS (31	,250 (cents 	per pound) Feb	PUTS	Apr
Strike Price 1.500	Feb	E/S OP1	TIONS (31 LS Br / 19 2	250 (cents 	Feb 0.81	РИТВ Маг 1,85	Apr 2.16
Strike Price 1.500 1.510	Feb 1.20 0.67	E/S OP1 CAL M 1.5	70 PS 631 LS Er 2 10 2	250 (cents Apr .44 .97	Feb 0.81 1.27	PUTS Mar 1.85 2.17	Apr 2.16 2.64
EL PHELADI Strice Price 1.500 1.510 1.520	Feb 1,20 0,67 0,34	E/S OP1 CAL M 1.5 1.4	70 MS (231 LS BF / 29 2 11 1 22 1	250 (cents Apr .44 .97 .56	Feb 0.81 1.27 1.94	PUTS Mar 1.65 2.17 2.55	Apr 2.16 2.64 3.23
M PHILADI Strice Price 1.500 1.510 1.520 1.530	Feb 1,20 0,67 0,34 0,22	CAI M 1.5 1.4 1.0	70 MS (31 1.S	250 (cents 	Feb 0.81 1.27 1.94 2.67	PUTS	Apr 2.16 2.64 3.23 3.88
M PHILADI Strice Price 1.500 1.510 1.520 1.530 1.540	Feb 1,20 0,67 0,34 0,22 0,10	CAL MA 1.6 1.6 0.7	TIONS (31) LS	250 (cents Apr .44 .97 .56 .22	Feb 0.81 1.27 1.94 2.67 3.55	PISTS	Apr 2.16 2.64 3.23 3.88 4.59
EL PHELADI Stries Price 1.500 1.510 1.520 1.530 1.540 1.550	Feb 1.20 0.87 0.34 0.22 0.10 0.04	1.6/8 OP1  CAL  M.  1.6  1.6  0.7  0.4  0.5	70MS ©31 LS	250 (cents \pr .44 .97 .56 .22 L33	Feb 0.81 1.27 1.94 2.67 3.55 4.48	PUTS	Apr 2.16 2.64 3.23 3.88 4.59
M PHILADI Strice Price 1.500 1.510 1.520 1.530 1.540	Feb 1.20 0.87 0.34 0.22 0.10 0.04	CAL MA 1.5 1.4 1.6 0.7 0.4	70MS ©31 LS	250 (cents \pr .44 .97 .56 .22 L33	Feb 0.81 1.27 1.94 2.67 3.55 4.48	PUTS	Apr 2.16 2.64 3.23 3.88 4.59
#I PHILADI Stries Price 1.500 1.510 1.520 1.530 1.540 1.550 Previous day's	Feb 1,20 0,87 0,34 0,22 0,10 0,04 vol., Calls 2,	1.6 OP1 1.6 OP1 1.6 O.7 O.7 O.7 O.7 O.7 O.7 Purs 7.7	150 PS (31 1 1 1 2 1 1 1 2 1 1 1 1 1 1 1 1 1 1 1	250 (cents \pr .44 .97 .58 .22 .33 .69 ey's open in	Feb 0.81 1.27 1.94 2.67 3.55 4.48 189.44	PUTS	Apr 2.16 2.64 3.23 3.88 4.59
EL PHELADI Stries Price 1.500 1.510 1.520 1.530 1.540 1.550	Feb 1,20 0,87 0,34 0,22 0,10 0,04 vol., Calls 2,	1.6 OP1 1.6 OP1 1.6 O.7 O.7 O.7 O.7 O.7 O.7 Purs 7.7	150 PS (31 1 1 1 2 1 1 1 2 1 1 1 1 1 1 1 1 1 1 1	250 (cents \pr .44 .97 .58 .22 .33 .69 ey's open in	Feb 0.81 1.27 1.94 2.67 3.55 4.48 189.44	PUTS	Apr 2.16 2.64 3.23 3.88 4.59
#I PHILADI Stries Price 1.500 1.510 1.520 1.530 1.540 1.550 Previous day's	Feb 1,20 0,87 0,34 0,22 0,10 0,04 vol., Calls 2,	1.6 OP1 1.6 OP1 1.6 O.7 O.7 O.7 O.7 O.7 O.7 Purs 7.7	150 PS (31 1 1 1 2 1 1 1 2 1 1 1 1 1 1 1 1 1 1 1	250 (cents \pr .44 .97 .58 .22 .33 .69 ey's open in	Feb 0.81 1.27 1.94 2.67 3.55 4.48 189.44	PUTS	Apr 2.16 2.64 3.23 3.88 4.59
# Prolabi Stries Price 1.500 1.510 1.520 1.530 1.540 1.550 Previous day's	Feb 1,20 0.67 0.34 0.22 0.10 0.04 vol., Calls 2, 100 to 1	CAI MA 1.6 1.4 1.6 0.7 0.7 0.3 Purs 7.7 763 Purs 7.7 Purs	70 PS (31 LS 22 39 22 31 1 32 1 38 0 31 8 30 0 31 8 30 0 30 0 30 0 30 0 30 0 30 0 30 0 30	250 (cents Apr .44 .56 .22 .33 .69 .69's open in	Per pound) Feb 0.81 1.27 1.94 2.67 3.55 4.48 t, Calls 189.46	PUTS	Apr 2.16 2.64 3.23 3.88 4.59
## PMSLADI Strice Price 1.500 1.510 1.520 1.530 1.540 1.550 Previous day's ## THREE !	Feb 1.20 0.67 0.34 0.22 0.10 0.04 vol. Cade 2.	E/S OPT  CAI  M  1.6  1.7  0.7  0.7  0.7  0.7  0.8  0.7  0.8  0.8	10085 831 89 2 11 1 122 1 123 1 131 8 131	250 (cents Apr .44 .97 .56 .22 .33 .89 .ey's open in	per pound) Feb 0.81 1.27 1.94 2.67 3.55 4.48 c, Cale 169.40 Low	PUTS — Mar 1.85 2.17 2.55 3.24 4.00 4.81 10 Puts 205,0	Apr 2.16 2.54 3.23 3.88 4.59 042
III PHISLADI Stries Price 1.500 1.510 1.520 1.540 1.550 Previous day's III THREE I	Feb 1.20 0.67 0.34 0.22 0.10 0.04 vol. Cade 2. Control El Court H	E/S OP1  CAI  M.  1.4  1.7  0.7  0.7  0.7  763 Pars 7.  PAODOLL  Lettest  94.75	10085 831 157 199 2 1 11 1 1 122 1 1 185 0 187 0. Prev. d 187 0. Prev. d 188 0 189 0	250 (cents	per pound) Feb 0.81 1.27 1.94 2.67 3.55 4.43 2. Calla 169,44 0 of 100% (Low 94,72	PUTS — Mar 1,85 2,17 2,55 3,24 4,00 4,81 0 Puts 205,0	Apr 2.16 2.64 3.23 3.88 4.59 Dt2 Open int, 434,343
## PMSLADI Strice Price 1.500 1.510 1.520 1.530 1.540 1.550 Previous day's ## THREE !	Feb 1.20 0.87 0.34 0.22 0.10 0.04 vol. Cade 2. 0.00 94.72 95.07 95.21	1.8/8 OPT  CAI  1.8 1.4 1.7 0.7 0.7 0.7 0.7 0.7 0.9 0.7 0.9 0.9 0.9 0.9 0.9 0.9 0.9 0.9 0.9 0.9	10045 (31) 1.5 19 22 11 12 12 18 670 Prev. d 10 10 10 10 10 10 10 10 10 10 10 10 10	250 (cents Apr .44 .97 .96 .22 .33 .569 .97 s open in .77 .95.12 .95.26	Feb 0.81 1.27 1.94 2.67 3.55 4.48 t. Calls 169.40 (Low 94.72 95.07 95.21	PUTS	Apr 2.16 2.54 3.23 3.88 4.59 042 Open Int. 434,343 440,444
III PIGLADI Strice 1,500 1,510 1,520 1,530 1,540 1,550 Previous day's III THREE I	Feb 1.20 0.67 0.34 0.22 0.10 0.04 vol. Cade 2. 0.00 1.00 0.04 vol. Cade 2. 0.04 2. 0.0	1.6/8 OPT  1.6 1.4 1.6 1.7 1.7 1.7 1.7 1.7 1.7 1.7 1.7 1.7 1.7	10045 (31 1.5 19 19 10 11 11 12 11 11 12 11 11 12 11 11 12 11 11	250 (cents Apr .44 .97 .86 .22 .33 .89 ey's open in flight 94.77 95.12 95.26 char per 10	Feb 0.81 1.27 3.55 4.48 4.48 4.48 4.72 95.07 95.21	PUTS	Apr 2.16 2.54 3.23 3.88 4.59 042 Open Int. 431,343 440,444 302,622
Strike Price 1.500 1.510 1.520 1.530 1.540 1.530 Previous day's Mar Jun Sep  III US TREA	Feb 1.20 0.67 0.34 0.22 0.10 0.04 vol. Cade 2. 0.00 94.72 95.07 95.21 95.19	1.8 OPP  1.8 1.4 1.4 1.6 1.7 1.7 1.7 1.7 1.7 1.7 1.7 1.7 1.7 1.7	10045 (31) 15 17 19 19 10 11 11 12 11 12 11 18 16 10 17 18 16 10 17 18 18 18 18 18 18 18 18 18 18 18 18 18	250 (cents Apr 4.44 .97 .96 .22 .83 .89 .97 .95 .10 .95 .10 .95 .12 .95 .26 .10 .95 .22	Feb 0.81 1.27 1.94 2.67 3.55 4.48 1.09% 94.72 95.07 95.21 100%	PUTS	Apr 2.16 2.54 3.23 3.88 4.59 Dt2 Open int. 434,343 440,444 302,622
Strice Price 1.500 1.510 1.520 1.530 1.540 1.550 Previous day's II THREE II Mer Jun Sop III US TREA	Feb 1.20 0.67 0.54 0.22 0.10 0.04 vol. Cade 2 0.04 vol. Cade 2 0.07 95.21 0.55.07 95.21 0.55.07 95.51 95.51	1.8 0PP 1.8 1.4 1.4 1.6 0.3 0.7 0.9 0.3 763 Pas 7,7 PADDOLL 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6	170 PS (31) 170 PS (31) 170 PS (31) 171 PS (31) 172 PS (31) 171 PS	250 (cents Apr .44 .97 .58 .22 .83 .89 sopen in Flight 94,77 95,12 95,26 cm points flight 95,22 95,54	Feb 0.81 1.27 1.94 2.67 3.55 4.48 1.00% 1.	PUTS	Apr 2.16 2.54 3.23 3.88 4.59 042 Open Int. 434,343 440,444 802,622 8,499 6,648
M PIGLADI SUIGE Price 1,500 1,510 1,520 1,530 1,540 1,530 Previous day's Mar Jun Sep Mar Jun Sep	Feb 1.20 0.67 0.34 0.22 0.10 0.04 vol. Cade 2. 0.00 7.72 95.21 0.50 7.95.21 0.50 7.95.51 95.65	1.2/5 OP7  CAM  1.2 1.4 1.6 0.4 0.3 769 Pus 7, PAODOLL  LESSE 94.75 95.11 95.25  L PUTUR  95.21 96.52 95.65	10045 (31) 10045 (31) 10045 (31) 1004 (31) 1004 (31) 1004 (31) 1004 (31) 1004 (31) 1004 (31) 1004 (31) 1004 (31) 1004 (31) 1004 (31) 1004 (31) 1004 (31) 1004 (31) 1004 (31) 1004 (31) 1004 (31) 1004 (31) 1004 (31)	250 (cents Apr 4.44 .97 .96 .22 .83 .89 .97 .95 .10 .95 .10 .95 .12 .95 .26 .10 .95 .22	Feb 0.81 1.27 1.94 2.67 3.55 4.48 169.46 1.00% 94.72 95.07 95.21 100%	PUTS	Apr 2.16 2.54 3.23 3.88 4.59 Dt2 Open int. 434,343 440,444 302,622
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## GOLD MINES OF KALGOORLIE LIMITED

Notice of Meeting of the Holders of the Gold Mines of Kalgoorlie Limited (the "Company")
US\$65,000,000 7% per cent. Subordinated Convertible ds due 2000 (the "Boudholders" and the "Bouds' respectively)

In accordance with the terms and conditions of the Trian Deed dated 35th February 1990, notice is hereby given that a meeting of Bondholders will be held at the offices of Herbert Sruth, Exchange House, Princrise Street, London ECZA 2HS on Friday, 23rd February 1996 at 10,00 am for the purpose of considering, and if thought fit, passing the following resolution which will be proposed as at Extraordancy Resolution.

THAT this meeting of the holders of the custometing US\$65,000,000 7% per cent. Subordinated Convertible Bonds due 2000 (by "Bonds") of Gold Mines of Kalgoortie Limited (the "Company") constituted by a Trust Deed dated 78th February 1900 made between the Company and The Law Debenture Trust Corporation p.L.c. (the "Trustee") as trustee for the holders of Bonds: bereby approves and sanctions the Proposals set out in the Notice of this Meeting and the explanatory letter from the Company to holders dated 1st February 1996;

hereby approves and carections the modifications to be made to the above Trust Deed (so as to confer on the Trustee power to agree to a substitution of the company into whose shares the Boads may be converted by a Sopplemental Trust Deed, a deaft of which was produced to the meeting and signed by the Chairman for the purposes of identification; and

hereby authorness and requests the Company and the Trustee to give effect to this Resolution by executing the Supplemental Trust Deed and executing and doing all such deeds, instruments, acts and things as may be recessary to carry out and give effect to this

Detect this 1st day of Pobusary 1996 P.F. Carr - Secretary P.F. Carr - Secretary By Order of the Board of the Company

PRINCIPAL PAYING AND CONVERSION ACTIVIT Banque Générale du Luxembourg SA

Generale Bank Banque Belge Limited 3 Montagne du Parc 1000 Brussels London EC2N 4AD Ummd Kangdom

VOTING

A Bondholder wishing to amend and vote in person at the Meeting must produce at the Meeting the Bond or Bonds in respect of which he wishes to vote or a valid voting certificate or certificates issued by a Paying and Conversion Agent in respect of such Bond(s). A Bondholder not wishing to attend and were at the Meeting to person may ender deliver his Bond(s). A Bondholder not wishing to be person whem he wishes to amend an his behalf or give a voting instruction (or a voting instruction feen obtainable from the offices of the Paying and Conversion Agents set our above instruction a Paying and Conversion Agents as our above instruction and the instruction appears in appears in a proxy to attend and vote at the Meeting in accordance with his instructions.

with this instructions.

Bonds may be deposited with any Paying and Conversion Agent or Ito the sansfaction of such Paying and Conversion Agent held to us order or under its control by Codel Bank S.A. or Morgan Guaranty Thus Company of New York (as operator of the Ento-clear System) or any other person approved by it for the pumpose of obtaining voting certificates or giving voting instructions in respect of the Meeting, until 48 hours before the trace fixed for the Meeting, but not themselver on the heats thus all each instructions are, during the period of 48 hours prior to the time for which the Meeting is convened, neither revocable my subject to amendment. Bonds so deposited or held will be released at the conclusion of the Meeting (or, if applicable, any adjourned such Meeting) or upon autemater of the voting continueds or, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjourned such the continued or an expect the voting instruction receiptful assued in respect thereof.

Details of the voting and quorum requirements are contained in the explanatory letter from the Company to the Bondholders referred to below.

BACKGROUND

On the 14th November 1995, the Company amounced a proposed scheme of arrangement ("Schenge") with November 1995, the Company amounced a proposed scheme of arrangement ("Schenge") with Normandy Mining Limited ("Normandy") whereby the Company would become a wholly owned unbaildary of Normandy. a company listed on the Australian Stock Exchange, and shareholders in the Company not members of the Normandy Group would become shareholders in Normandy. The neerger would create a major mining group of companies and one of the world's largest gold producers. At present the Bonds are convertible into ordinary shares of the Company instructed Bain & Company Corporate Finance Limited ("Bain & Company"), a member of the Denasche Bank group, to provide moleculem advice to respect of the Scheme and its effect on the Bonds. Bain & Company has recommended to the Company and the Trustee that the terms of the Bonds be sumended to that, if the Scheme becomes unconditional, the Bonds will become convertible into thaters of Normandy at the roar of 672-875 ordinary shares of ASO-20 for each USSI,000 of the Bonds. The proposed modification to the conversion ratio is equivalent to the consideration at Normandy shares to be received by GMK shareholders under the Scheme. Normandy has also malioned its aulimpness to guarantee the Bonds if the Scheme proceeds and the conversion right is amounded.

If the European Resolution is passed the Supplemental Deed would empower tha Trustee of the Bonds, The Law Deberture Trust Corporation p.L., the "Trustee", in it a discretion and without any consent or sanction of the Sondholders, to agree to the substitution of Normandy for the Company as the company uses whose abaves the Bonds may be converted.

Company as the company man waves me some may be conterned. In accordance with normal practice, the Trustoe captesacs no opinion as to the merits of the proposal, However, the Trustoe has stated that if the resolution is piessed, it in its present intention, based upon the recommendation of Bain & Company and subject to their being no material change in chromosomes, to extreme the discribing conferred on it to agree to the proposed alteration to the conversion right of the Boads on the terms described above. Further details of the proposals are contained in the explanatory letter from the Company to Bootholders referred to below.

Copies of an explanatory letter from the Company to Bondholders dated 1st February 1996, a recommendation by Bale & Company dated 8th January 1996, and of a report by Gram Samuel & Associates referred to therein will be available for collection by Bondholders at the addresses of the Principal Paying and Conversion Agents and both for the Paying and Conversion Agents are done above. Copies of the Trust Deed, including the terms and conditions of the Bonds, the draft Supplemental Trust Deed referred to in the Extraordinary Resolution set out above, as well as copies of the fast report and socious of the Company and of Normandy, will be available for impression as the same addresses.

FT CITYLINE

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## NOTICE OF PARTIAL REDEMPTION

TO HOLDERS OF

DOMUS MORTGAGE FINANCE NO.1 PLC £100,000,000

MORTGAGE BACKED FLOATING RATE NOTES **DUE 2014** 

Notice is bereby given that in accordance with Conditions 5(b) and 18 of the Notes, the Issuer hereby gives notice to redeem \$1,500,000.00 principal amount of Notes, selected randomly as detailed below. The date set for the mandatory redemption is the next coupon payment date being, 8 March 1996, and the Notes will be redeemed at their principal amount phis accrued interest. Payment will be made against surrender of the Notes, together with all appurtenant Courons maturing after the date set for redemption at the offices of the Paying Agents, named on the Notes. On and after 8 March

The amount of any missing unmatured Coupons will be deducted from the sum due for payment. Any amount of principal so deducted will be paid against surrender of the relative missing Coupons within five years from the date of payment. The redeemed Notes will become void unless presented for payment within ten years of the redemption date. The nominal amount that will be outstanding after the Notes listed below

have been redeemed is \$15,300,000.00. The Serial Numbers drawn for mandatory redemption are as follows:-

1996, the redeemed Notes will cease to accrue interest.

105 235 260 330 356 379 480 566 590 677 690 750 806 900 927

**MCHEMICAL** 

Principal Paying Agent Dated | February 1996

#### LOST BEARER SHARE CERTIFICATES

NOTICE IS HEREBY GIVEN that the bearer share incomes the bearer share incomes the bearer share incomes the bearer share incomes the bearer share the bearer shared the bearer shar N.V., GRASELLE INVESTMENTS N.V. and PRINCEVALLEY INVESTMENTS N.V., all companies incorporated under the laws of the Netherlands Antifles, with registered office of Dec. Ruytercade 62, P.O. Box 812, Curacao, Netherlands Antifles. have been reported as lost either in Paris, France or Geneva-Switzerland on or about August 30, 1995.

- Anyone with any knowledge of the present where abouts of these pertilicates is requested to contact the companies at the above referenced address as soon as possible but not taler than February 29, 1996.

If no loformation has been received by February 29, 1996, the companies propose to issue replacement certificates

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**LONDON SHARE SERVICE** 

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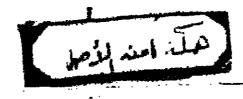
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**LONDON SHARE SERVICE** 

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Company classifications are based on those used for the FT-SE Actuaries. Stare indices.
Closing mid-prices are shown in pença unless otherwise stated. Highs and lows are based on intra-day mid-prices over a miling 52 week period.
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Symbols referring to divisional status appear at the nature column daily as a guite to yields and Pric ratios. Dividends and Divisional covers are published on Montaley. ## London ## 1124
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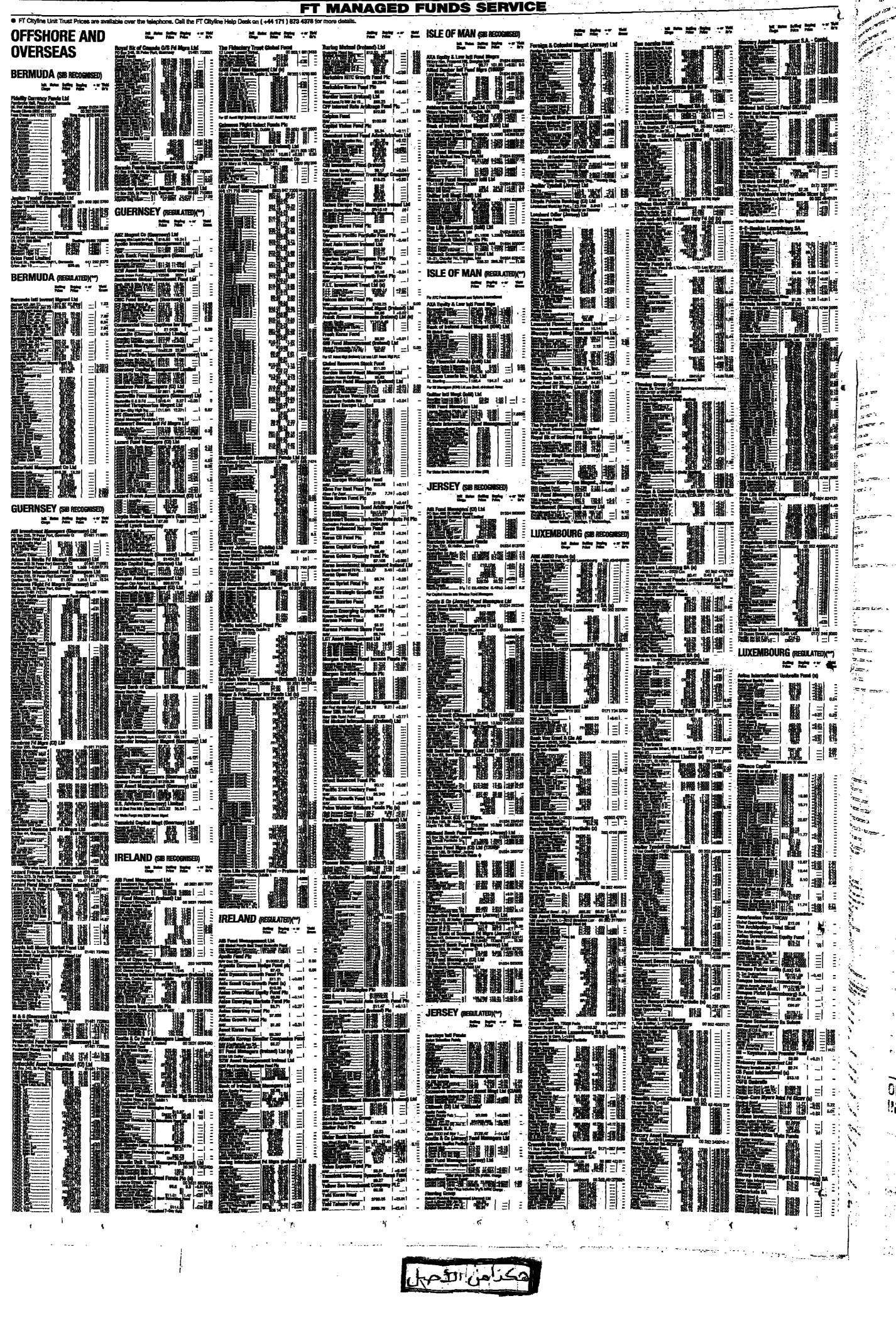
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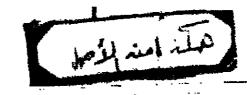
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## Global rate cut optimism continues to lift shares

By Steve Thompson, UK Stock Market Editor

The prospect of another series of global interest rate cuts helped to propel the FT-SE 100 index to an all-time closing high yesterday.

Although there was no hard and fast news when London closed for business, the market was looking for a reduction of at least 25 basis points in the US Federal Funds rate. And there were hopes that a cut by the Federal Reserve could encourage the Bundesbank to reduce Germany's discount rate by at least the same amount

A move by the Bundesbank to lower its repo rate by 15 basis for UK equities, however. Wall

points, the third reduction in as Street's advance on Tuesday evenmany weeks by the German central bank, was taken very positively by international stock markets.

At the close of one of the busiest trading sessions for many weeks, the FT-SE 100 settled at an all-time closing peak of 3,759.3, up 24.0 on the day, while the FT-SE Mid 250 index gave another strong performance, adding 29.3 at 4,125.0.

Dealers made the point that the FT-SE Mid 250, which has underperformed the FT-SE 100 over the past 18 months, is now within striking distance of its record peak, 4,152.8, which it hit on February 3, 1994.

It was by no means plain sailing

ing, which took the Dow Jones Industrial Average up 76 points to yet another all-time high, saw London's marketmakers hoist their opening prices for the leading UK stocks.

Consequently, the Footsie started the day 22.2 higher, but then encountered various pockets of resistance, which began to erode the market's confidence.

News that the Elf-Enterprise joint venture had sold its 12.9 per cent stake in Enterprise Oil, some 67.7m shares, to a trio of brokers, who quickly placed the stock with a variety of institutions, helped to drain the market's liquidity.

There was also some slight disappointment in the market with the outcome of the £3bn auction of gilts, although some dealers said that the cover of almost two times was better than had been expected.

Gilts had made limited progress during the early part of the morning, posting gains of between five and seven ticks, but ran out of steam after the auction news was

Initial indications from Wall Street added to the gloom in London, and the Footsie came back to register its lowest level of the day, 3,739.2, shortly after US markets opened. The Dow posted an early 20-point fall but then began to claw

some £80m of capital and pur-

sue its interest in an overseas

Vodafone, the mobile phone

group, rose 7 to 237/4p as Hen-

derson Crosthwaite, the agency

broker, issued a strong recom-

mendation. The agency broker

believes that Vodafone will

boost its subscriber numbers to

11% at 444%p on expectation

that a new chief executive will

sparked 35 higher to 719p on

talk that the utility might

be the next bid target in the

The German government's

package to boost growth and

jobs, announced on Tuesday,

together with yesterday's

reduction in the repo rate,

combined to boost construction

stocks exposed to the German

December 1995

be announced very shortly.

Cable and Wireless gained

Electricity

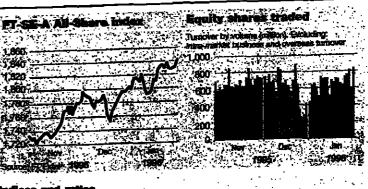
4m by March 1997.

Yorkshire

its way back, eventually moving into positive territory as London closed and imparting late strength to the FT-SE 100.

BSkyB topped the Footsic performance league, attracting keen interest ahead of next Tuesday's interim results and amid hints that Carrefour, the French retailing group, may be considering the sale of its stake in the satellite television company to Sony, the Japanese electronics giant.

Turnover in equities at 6pm topped the 1hn-share mark, eventually settling at 1.04bn shares, with Enterprise Oil accounting for 15 per cent of the total. Customer business on Tuesday was valued at £2.08bn.



+24.0 FT Ordinary index FT-SE 100 FT-SE-A Non Fins p/e FT-SE 100 Fut Mer +29.3 +12.2 4125.0

(16.88) +11.0 10 yr Gilt yleid Long gilt/equity yld ratio: FT-SE-A 350 FT-SE-A All-Share 1841.96 +11.34FT-SE-A All-Share yield 3.71 Oil Exploration
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## Hanson takes a dive

The market took a close look at Hanson's plans to demerge and did not like them. Then it took a look at other potential break-up candidates and decided it did not much

like them either. Hanson lost all the gain achieved on Tuesday, as US investors took a dim view of the financial benefits that can be accrued from the international conglomerate's four-way

Dividend prospects are being questioned and so is the valuation of the company. Hanson fell 9 to 202½p with 61m traded, while comparable UK companies Tomkins and BTR shed 5 to 276p and 4 to 331/sp

respectively. BAT Industries was also weaker for a while, but the cash generative aspects of tobacco, and the fact that BAT's sales are mainly in emerging markets where there are few regulatory worries. saw the shares bounce to close 5½ up at 584½p.

#### Enterprise deal

Enterprise, the oil production and exploration company, fell almost 3.5 per cent as a near 13 per cent stake was placed in early trading.

Three leading brokers took on the 60m-share holding from Enterprise's joint venture with Elf created four years ago.

merzbank, of Germany, sold the shares in a "bought deal", one of the most risky aspects of stockbroking. In a bought deal, brokers bid for shares and take them all on to their books. There is usually no time to pre-place shares and the risks involved are factored into

a sharply discounted price. With Enterprise Oil, the shares were taken on at a discount of more than 20p to the prevailing mid-price. Most of the shares were successfully placed at 364p and the underlying price dipped 13 to 368p while turnover rose to 161m.

Analysts said that, in the long term, Enterprise would benefit, as investors had been waiting for the shares to be sold for some time and the expectation had dampened down the price. However, in the short term, the sale is expected to have soaked up much of the appetite for stock.

#### Glaxo active

Pharmaceuticals giant Glaxo Wellcome moved forward 281/4 to 961%p on substantial turn over of 13m shares in the wake of heavy buying in the US.

New York buyers were stimulated by news from Merck that its Aids treatment was highly effective with a cocktail that includes Glaxo Wellcome's It gave US investors, who now hold around 7 per cent of

compared with more than 25 per cent a few years ago, an excuse to pick up stock. Glaxo is trading at a discount to its US counterparts but UK analysts were surThey said the statement was news is that it could release based on a very small study, and long term worries over the patent expiries of Glaxo's key products - Zeneca and Zovirax were still very real.

News that Halifax has

decided to sack Sun Alliance as its main house insurer and replace it with Royal Insurance prompted fierce two-way dealing in both insurance stocks. Royal rose 7 to 385p on the news and Sun fell 7 to 370p. Analysts said the good news for Royal was that it had

secured a long contract in an area where it excels. However, the bad news was that the margins imposed by Britain's big-gest building society are painfully tight. A number of analysis were advising clients to sell Royal shares yesterday. For Sun, the bad news is that it will need to disband its Halifax operation and deal with 200 staff who no longer have a dedicated function. The good

#### FINANCIAL TIMES EQUITY INDICES

	Jan 31	Jan 30	Jan 29	Jen 26	Jen 25	Yr ago	"High	Low
Ordinary Share	2768.4	2758.0	2789.A	2766.3	2765.6	2286,4	2788.2	2238.3
Ord. div. yield	3.79	3.81	3.90	3.91	3.92	4.57	4.73	3.79
P/E ratio net	17.10	17.00	16.67	16,62	16.58	17.67	21.33	15.35
P/E ratio nil	16.87	16.78	16.46	16,41	16.37	16.74	22.2	15.17
For 1995/96, Ordin Date: 1/7/35.	ary Share	index sinc	e compilet	torc high 2	2788.2 18/	01/96; low	49.A 25/6	40. Base

ulated by news from Merck	Ordinary Share hourly	_				<b>-</b>	
that its Aids treatment was	Open 9.00 10.0	0 11.0 <u>0</u>	12.00 13.00	14.00	15.00 18	1,00 High	Low
highly effective with a cocktail	2772.7 2767.5 2770.	7 2765.0 2	2761.2 2759.6	2759.1	2757.6 276	0.7 2773.0	2755.4
that includes Glaxo Wellcome's AZT.		Jan 31	Jan 30 .	Jan 29	Jan 26	Jan 25	Yr ago
It gave US investors, who	SEAC bargains	33,606	32,879	33,972	33,184	35,173	20,707
	Equity turnover (Emit	-	2027.3	1463.5		2495.0	1613.6
now hold around 7 per cent of	Equity bargains†	-	,	40,313		41,409	27,445
the pharmaceuticals giant,	Shares traded (mil)†	-	830.0	593.6	804.7	779.1	625.1
compared with more than 25	titicular intra-reside bu	siness and o	CHARGES SUFFOR	er.			

Rises and fails' Total Rises Total Fails 52 Week highs and lows LIFFE Equity option 509 1,515 prised that the news from Merck would have an impact.

Redland, which last year investors to buy Farnell Elecderived about 50 per cent of profits from Germany, was among the day's best performers in the Footsie. The shares put on 14 at 399p. RMC Group, with an even bigger chunk of profits derived from Germany, was also wanted and the shares jumped 30 to 1026p. Pilkington was the other FT-SE 100 constituent in the sector to move sharply abead,

adding 61/2 at 1981/2p In the FT-SE Mid-250 index, building materials and plasterboard group BPB Industries was boosted by the same sentiment and ended 10% higher at

309½p. A positive statement from Scottish & Newcastle that accompanied a briefing for analysts belped the sbares gain 7 to 634p, in trade of 3.4m.

Greenalls Group, the newest constituent of the premier FT-SE 100 index, gave up 121/4 to 596p on profit-taking. Shares in Whitbread rose 8

to 705p as the group hosted a. round of briefings for analysts. A profits warning from Lincat, the catering equipment manufacturer, sent the shares

down 37 to 251p. Property and shipping giant P&O ran into profit-taking and retreated 121/2 to 5481/sp. Stagecoach Holdings, which on Monday announced the acquisition of GM Buses South, the South Manchester operator, in a £40,7m deal, remained in favour and the shares gained a further 5 to 380p.

Aero engines group Rolls-Royce hardened a penny to 204p. Henderson Crosthwaite favours the stock and yesterday issued a buy recommendation and set a medium term share price target of 240p.

Mr Brian Newman at the broker said: "The Rolls Trent engine has major technical advantages over the competition and will emerge as the airlines' first choice on the Boeing 777." The same broker also urged tronics, which earlier this month announced that it is purchasing Premier Industrial Corporation, of the US, in a £1.85bm deal.

Media

The shares rose 9 to 646p following the recommendation. Analysts at Henderson said: "In our view, Farnell Electronics's merger with Premier Industrial is a brilliant industrial deal, offering numerous opportunities for revenue growth and cost savings without a large degree of commercial risk.

The market appreciated TI Group's sale of three of its noncore engineering businesses for £44m. The shares rose 9 to 487p. Hopes of improved sales in Germany for British Steel helped the shares harden 4% to 171%p. Volume by the close had reached 7.5m.

Williams Holdings appreciated 7 to 341p after SBC Warburg reiterated its buy stance on the stock. The broker highlighted the stock's attractions, saying it expected good growth from the fire protection and security products markets.

## Peter John,

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US \$500,000,000

**Medium Term Revolving Credit Facility** 

Chase Investment Bank Limited

This announcement appears as a matter of record only.

J.P. Morgan Securities Ltd. **Union Bank of Switzerland** 

Senior Lead Managers ABN AMRO Bank N.V. Banque Nationale de Paris, Agence Negoce International Banque Paribas, Paris **BHF-BANK Aktiengesellschaft** 

Credit Lyonnais Credit Suisse Dresdner Bank Luxembourg S.A. Société Générale

Barclays Bank Plc ING Bank N.V. Rabobank, London Branch Standard Chartered Bank

Banque Indosuez Caisse Nationale de Crédit Agricole-Crédit Agricole International (CNCA-CAI) De Nationale Investeringsbank N.V. National Westminster Bank Plc Swiss Bank Corporation (SBC) Geneva

> Banca Monte dei Paschi di Siena SpA, London Branch Bank of Tokyo (Schweiz) AG Bayerische Vereinsbank S.A. (BV France) Trinkaus & Burkhardt KGaA, Düsseldorf

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The Chase Manhattan Bank, N.A.



J.P. Morgan



T-8E 100	3759.3	+0.0			3734.7		-3.81	2.07	15.88		1506.3
T-SE MRd 250	4125.0	+0.7				3377.7	3,56	1.78		20.10	
T-SE Mid 250 ex law Trusts	4129.1	+0.7				2388.3		1.82		21.54	
T-SE-A 350	1888.0	+0.7			1854.6		3.78	2.01			1531.9 1273.8
T-SE-A 350 Higher Yield	1871.1 1869.6	+0.0			1857.4		4.61 2.85	1.82 2.52	14.88		1279.5
T-SE-A 350 Lower Yield T-SE SmallCap	2018.51		7 1856.1 2 2015.12				3.11	1.83	18,89 21,93		1634.4
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T-SE-A ALL-SHARE	1841.96		1830.62				3.71	2.00	16.90		1534.6
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12 Edractive Industries(6)	3266.18		3259.62				3.77	1.65	16.97		1408.6
15 Oil, integrated(3) 18 Oil Exploration & Prod(15)	2088.57		2124,71				2.35	1.48	35.95		1239.7
20 GEN INDUSTRIALS(276)	2035.85		2027.26				4.06	1.85	18.62		1093.0
21 Building & Construction(34) 22 Building Matia & Marchs(29)	1067.66 1873.67		1063.55 1827.89				3.75 4.00	2.18 2.03	15.40 15.40		879.9 930.1
22: Building Malas & Marchiges) 23: Chemicala(23)	2446.77		2428.00				4.01	1.87	16.70		1139.8
24 Diversified industrials(21)	1824.84		1852.31				5.41	1,43	16.16		998.8
26 Electronic & Elect Equip(36)	2271.38		2264.94				3.18	1.98	20.01	1.56	1166.1
26 Engineering(71)	2259.83		2244.16				3.30	2.24	18.92		1353.4
27 Engineering, Vehicles(13)	2639.94		2603.66				3.88	1.26	25.58		1348.1
28 Paper, Pokg & Printing(28)	2651.39		2631.27				3.76	2.53	18.14		1087.
29 Textiles & Apperal(19)	1498.07		1497.32	1504 <u>.10</u>	1500.45	1454,71	4.65	1.79	15.02	0.00	898.4
30 CONSUMER GOODS(81)	3716.90	-708	3683.17	<b>3889</b> 19	9881 93	2812 09	3.69	1.78	19.09	7.77.	1361.
32 Alcoholic Beverages(9)	2808,47		2831,14				4.33	1.79		28.48	1003.7
33 Food Producers(23)	2634.39		2624.06				4.07	1.74	17.68		1170.4
34 Household Goods(15)	2641.59		2652.66				3.61	2.15	16.11	1.39	992.3
36 Health Care(20)	1910.86	-0.5	1920.59	1923,84	1937.51	1581.30	2.88	1.76	26,51		1148.
37 Pharmaceuticuls(13)	· 5338.90	+2.0	5235.01	5190.37	5158.54	3401.76	3.07	1.89		0.05	1783.1
36 Tobacco(1)	4951_23	+1.0	4900,40	4824.17 ·	4832.64	<u> </u>	4.84	1.84	13.30	0.00	1197.
40 SERVICES(265)	2307.16	+0.6	2292.35	2294,50	2289.32	1845.36	2.98	2.11	19.99	10.46	1187.7
41 Distributors(32)	2624.59		2019.91				3.65	1,79	19.17	0.00	955.2
42 Leisure & Hotels(23)	2794.80		2781.21				2.98	1,94		104.50	
43 Media(46)	3713.46		3661.16				2.10	2.22			1331.7
44 Retailers, Food(15)	1995.87		1976.43				3.66	241	14.19		1250.0
45 Retailers, General(49)	1935.86		1933.12				3.07	227		2.01	1092.4
47 Breweries, Pubs & Rest.(24) 48 Support Services(46)	2947.19 1946.71		2919.46 ( 1938.96 (				3.35 2.41	2.08 · 2.51	17,93		1403.8
49 Transport(21)	2330.08		2338.01				3.72	1.39	24.17	1.81 1.17	1226.1 957.3
60 UTILITIESISA	2412.40		2390.61					2.02			_
62 Bectricity(13)	2703.55		2692.96				5.13 5.12	2.62		26.51 102.23	1020.1
64 Ges Distribution(2)	1590.48		1596.37				7.53	1.04	75.95	0.00	797.9
66 Telecommunications(7)	1971.10		1933.49				4.28	1.74	16.75	0.00	892.18
58 Water(12)	2075,75		2081.26				5.87	2.51	8.15	3.61	1125.6
60 HON-FINANCIALS(668)	1943.20		1930.79		_		3.75	1,84	17.12	6.60	1454.4
70 FINANCIALS(106)	2952.78	<del> </del>	2936.65				3.83	2.32	14.05		
70 Parks, Retails)	4223.01		4197.10				3.54	2.60	13.55	0.00	1247 <u>.2</u> 1363.7
72 Banka, Merchant(6)	3558.17		3538.20 3				2.62	241	19.82		1115.4
73 Insurance(24)	1426.16		1425.83 1				5.11	2.69	8.08		1015.2
74 Life Assurance(8)	3476.18	+0.6	3453,94 \$				4.01	1.53	20,34	0.00	1416.2
77 Other Financial(23)	2441.63		2422.08 2				3.88	1.87	18.27	0,44	1369.2
79 Property(41)	1452.88	+0.5	1445.62	447.08	1459.85	1367.08	4.28	1.32	22.14	2.51	882.62
80 INVESTMENT TRUSTS(127)	3145.85	+0.5	3131.82	3124.33	8119.14	2570,06	212	1.05	56.1B	4.15	1090.1
89 FT-SE-A ALL-SHARE(903)	1841.96		1830.62 1				3.71	2.00	16.90		_
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FUTURES AND OPTIONS IN FT-8E 100 INDEX FUTURIES (LIFFS) 525 per full index point (APT) Sett price Change High Est vol Open int +10.0 +10.0 3776.0 3761.0 # FT-SE MED 250 RIDEX FUTURES (LIFFE) £10 per luit index point-4135.0 +25.0 THE FT-SE 100 INDEX OPTION (LIFFE) (3750) \$10 per full index point E EURO STYLE FT-SE 100 PROEX OPTION (LIFFE) \$10 per full index point 43½ 8 77 85 31 94½ 95 5½ 122½ 82½ 142½ 131½ 172 TRADING VOLUME MARKET REPORTERS:

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24<sup>3</sup>5, 10<sup>2</sup>2, 40<sup>2</sup>3.
23 17<sup>1</sup>4, MEM, Hot.
23 17<sup>1</sup>4, MEM, Hot.
23 17<sup>1</sup>4, MEM, Hot.
24 6 MFS day lift
17<sup>1</sup>4, 13<sup>2</sup>5, MEM Prop.
23<sup>2</sup>5, 25<sup>2</sup>5, MEM, Brand
23<sup>2</sup>4, 11<sup>1</sup>2, MEM, Hot.
23<sup>2</sup>5, 25<sup>2</sup>5, MEM, Brand
23<sup>2</sup>4, 11<sup>1</sup>2, MEM, Hot.
21<sup>2</sup>5, 15<sup>2</sup>4, MEM, MEM, F.
21<sup>2</sup>5, 21<sup>2</sup>5, MEM, MEM, F.
21<sup>2</sup>5, 21<sup>2</sup>5, MEM, Hot.
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著等者の教 有有所者的 佐衛衛城 ちゅうあ

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## She High Low Last Chap ABS Inds 0.20 2 202 253 244 242 -13 ACC Corp 0.12 22 308 245 244 246 -14	Dep Say 1.20 11 89 43 4 43 43 45 -12	PV Sta Stock Der. E 1993 Högh Low Lost Chang	P/ Sia Stock Dev. E 100s High Lew Last Chey
Accionn E 12 1689 10 4 10 2 10 1 +13 Acme Mds 7 16 17 16 3 17 1 1 1 1	DH Tech 19 124 2212 2114 2212 +114 Cap int 16 990 2314 73 2314 +14	- <b>K</b> - K Swiss 0.03 8 135 11 10 <sup>1</sup> 4 10 <sup>1</sup> 4 - <sup>1</sup> 4 Paman Cp 0 44 11 2485 10 <sup>1</sup> 5 10 <sup>1</sup> 5 10 <sup>1</sup> 4	- R - Rambow 17 632 2112 2113 2135 -14 Rambo 0 289 175 175 112 +15
Adaptech 2512230 44 <sup>1</sup> 2 43 44 + 24 ADC Tale 4113192 39 <sup>1</sup> 4 36 <sup>1</sup> 4 36 <sup>1</sup> 4 + 1 <sup>1</sup> 2	Dig Sound 4 315 1/2 1/2 1/2 1/2 1/2 1/2 1/2 1/2 1/2 1/2	Maily Se	Raymond   11   159   21½   20½   21½   +1;   RCSB Fin   0.48   10   1620   22½   21½   21½   +1;   Read-Rate     525621   19%   17¼   16½   +1;
AddAOR 0.16 9 26 21,4 21,4 21,4 21,4 Addhe Sys x 0.20 2649404 38 33,4 33,4 33,5 35	Drys Vm 020 9 161 4 339 333 -3	Note A   0   99   13   13   13   14   15   15   15   15   15   15   15	Recordon 14 225 1734 17 1725 -14 Repagen 0 4181 1 49 1 1/2 135 +3 Responsibled 23 3476 2015 1958 2015 +5
Adv Logic 12 184 7 65g 63g -14g Adv Polym 14 1218 7 63g 63g -14g Adv Tollah 58 1677 27 <sup>1</sup> g 25 <sup>1</sup> g 25 <sup>1</sup> g -1 <sup>3</sup> g Advanta 027 136487 445g 41 <sup>1</sup> g 444g +3 <sup>1</sup> g	Datter Gr 0 20 20 366 25 34 k 34 k 3. kg 1. kg 10 mgh Him 0.63 18 21 117 1174 1174 1184 1. kg 10 mgh Him 0.63 18 21 117 1174 1184 1184 1184 1184 1184 1184	-6-	Restund   10 228 9½ 8½ 8½ 8½ 10 - 11   Rester: 0.86 55 1134 56½ 55% 56% - 1   Rester: 10 40 11   45 u27½ 27 27 + 1
Agençais 0.10 45 77 18 2 16 16 3 14 Agençais 0.20 14 562 21 4 21 4 21 12 4 13 Accordon 163 5 296 555 53 53 4 14	OnestRom 11 625 942 944 944 0rey GD 0.24117 104 324 314 214 4 4 6 0ray GD 0.03 15 26 372 372 372	Labone 0.72 45 233 1512 14 14 14 14 Labone 0.72 45 233 1512 14 1418 +12	RemarkEnger 1820 12 <sup>3</sup> g011 <sup>3</sup> 2 11 <sup>3</sup> 2 - <sup>3</sup> 2 RemarkEnger 0.12 9 63 6 5 <sup>3</sup> 4 5 <sup>7</sup> 8 + <sup>3</sup> 2
Abdish 0.85 18 278 234 224 22 -42 Abish 0.85 18 278 234 224 21 -42 Abish 0rg 0.52 12 14 424 414 414 Abish Ph 13 1040 1744 1674 17 -43	DS Bancar 109 13 178 2712 26% 2712 Durino 046 18 2378 2312 2112 23 +114 Oynatech 26 1168 20 1912 1914 +12	Lam Rech 1010190 44% 41% 43 -13 Lamcaster 0.00 15 406 38% 77% 37% -3 Lamcaster 0.00 22 240 17 10% 17 -14 Lamcaster 2.096 22 240 17 10% 17 -14 Lamcaster 2.096 22 240 17 10% 18 -14 Lamcaster 2.096 22 240 17 10% 18 Lamcaster 2.096 22 240 18 Lamcaster 2.096	Roosevet   0.62 16 2949 1776   17 1778   1/2   Roose Str   0.24 14 256 2018 1978 1978   1/2   Rotechied   22 938 3014 2952   30 44
And Cap 1 16 16 511 17 4 17 8 17 3 + 3 5 And Cap 154 12 111 14 13 13 12 14 1 + 3	1	Landmadeph 23 510 21½ 25½ 20¾ 3½ Landmadeph 16 810 11½ 9½ 11½ +1¼ Lasersupe 11 629 253 233 258 +44	RPM Inc
Alexa Gold 10.06 18 7075 13 1/6 3 1/6 3 1/6 4 1/2 Alexa Gold 10.06 18 7075 13 1/6 2 1/3 2 1/3 4 1/4 Alexa Gold 0.06 18 7075 13 1/6 2 1/6 6 1/4 4 1/4 Alexa Gold 0.076 10 1030 34 1/2 33 1/4 33 1/3 1/4	— <b>E</b> − Engle Fd 2 14 2 17 <sub>2</sub> 17 <sub>8</sub> -1 <sub>4</sub> Eac⊈rennt 12 40 111 112 112 -14	Lattice S 17 4410 33½ 50½ 525g +1¾ Lattice Pr 0.52 13 164 25½ C4 24 LDF CP 0.16 1 219 3°C 3°C 3°C ½ Lections 17 167 5°G 5½ 5½ 5½ 4½	-S-
AmiCTVoy 0 16 11 64 958 938 935 -13 Ami Manag 32 1147 23 214 215 -15 Ami Softwar 0.32487 585 5 434 45 +15	ECITE 005 18 1077 21 2 21 21 2 1 2 1 2 1 2 1 2 1 2 1 2	Life Tech 0.20 18 174 2512 2514 2514 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Safeto
Am Frivays 23 2896 10½ 09½ 9½ 1½ AmGriA 0.64 17 7946 26½ 26½ 26½ 26½ 1½ AmintP 1 930 33 52 ¼ 1½	Electrus 1.44 4 100 415 4514 4214 +7.  Blectarts 28 7739 2414 2276 2312 +3.  Emcon Acs 20 2 314 314 314 314 15	Lincoln T 0 60 16 528 20% 19% 20 +14 Lincoln Md 16 400 645 2 44% 4612 +112 Lincoln C 10 16 30 8261 44% 4215 4412 +34	SCI System 17 6311 37 35½ 36½ -½ Scies 7 2738 5½ 5½ 5½ +½ Scies 7 2738 5½ 5½ 5½ +½
AmNum 236 9 96 684 674 6712 14 AmPerconv 10 6018 934 835 835 14 Am Trav 13 422 28 2738 2758	Emules 13 1065 1034 93 10 -12 EncareCorp 0 2971 2-1 113 2 Engylines 34 2100 2314 2314 2314 -12	LiquiBox (4.44 16 33 323g 313g 323g 35g Linewori Bip (310 2910489 283g 273g 28 34 LineStrSot 26 8928 333g 323g 323g -1	Scarled 12077 36 3573 3514 3512 -14 Seatled 12077 36 3573 3514 3512 -14 SB Qs 0.20 22 711 2212 22 2212
Amper Inc 4129152 162 4 59 59 3 - 1 1 5 Amtech Cp 0 0 8 43 97 5 2 5 5 5 5 5 8 Analogic 0 16 21 26 18 17 4 18 + 1 2	Envisors 11 117 1,6 1,6 1,6 1,6 Enzan inc 14 2059 4 2,6 354 +14 Equipoli 0.10 44 230 515 416 473	Lone Star 20 1462 973 37, 959 +14 LTX Cp 15 1062 812 914 814 -15 LYMH 0 62 27 212 4415 4312 4418 +14	Setters 8 036 7 1343 214 2 214 +14 Setterins 112 11 14 3714 3714 3714 +14 Settern 11 5897 11 3 d 1114 1112 -14
Analysts x 0.60 18 136 29½ 29 29½ AnangelAm 1.06 12 4 12 12 12 +14 Anatrew Cp 23 2401 44½ 43½ 4½ -14 Anatrew An 39 33 1152 1412 1458 -12	Ericha 0.16 2719588 20 <sup>2</sup> 5 20 20 <sup>5</sup> 6 - <sup>2</sup> 2 Emicl 142 873 10 9 <sup>2</sup> 5 10 - <sup>2</sup> 6 Exons Son 17 159 24 22 <sup>2</sup> 2 23 <sup>2</sup> 2	- <b>M</b> -	Seturiaci 11 343 4 <sup>2</sup> 4 4 <sup>1</sup> 2 4 <sup>1</sup> 2 - <sup>1</sup> 6 Serv Tech 3 14 6 <sup>2</sup> 3 6 6 <sup>2</sup> 3 + <sup>2</sup> 5 Sevenson 0.22 10 12 18 <sup>1</sup> 3 18 <sup>1</sup> 3 18 <sup>1</sup> 5 - <sup>1</sup> 6
Apogee En v0 34 14 1825 19 1712 1752 +12 APP Bio 103 328 774 714 714 -12 Appto Mat 1733778 3758 3658 3676 -12	Example 24 1177 1372 1314 134 + 18 Example 163 503 2514 2714 1775 177 Examples 153 441 1312 1214 1314 + 18	14CI Cm 005 4623653 29 <sup>3</sup> 2 28 <sup>3</sup> 5 29,7 - 12 MS Carls 15 222 16 15 <sup>3</sup> 2 16 Mac Mai: 0.60 7 2 13 <sup>1</sup> 5 13 <sup>3</sup> 5 13 <sup>3</sup> 5	Shifted 0.84 34 2497 055 555 57 +15 Shorewood 11 217 132gd1314 1314 -15 Shorewood 43 982 0135 1312 1355 +16
Appleto 0.48 2024818 03 27% 27½ +15 Appletoes 0.95 22 2476 18% 18½ 18½ 16% Arbor Dr 0.20 23 2177 27½ 27 22½ -14	Expedit   012 18 713 24 3 23 2 24 -4 Expedit   012 18 713 24 3 23 2 24 -4 Expedit   012 18 713 24 5 6 6 52	Manage 48 2534 39% 37% 39% +1% Managem E 199 75 14 u35% 35 353% +39 Managem Grp 0 88 13 382 23% 22% 22%	Sierra On 20 6(937 125%) 25% 24% -1 Sigmal 0 35 20 2345 053 52 52% SigmaDes 2 1533 8% 7% 7% 7%
Arreso	-F-	Maxi Blor 16 240 12 2 12 2 12 2 14 Morroom Co 4 495 14 4 13 14 +1 Maxime Dr 5911871 u55 512 532 +34	Silent/Sc 0.06 10 312 2112 2034 21 Silent/Sc 14 5327 2736 2614 2615 -75 Simpson 0.40 10.2014 9.85g 9.44
Armor A) 064 18 212 16 1514 1514 154 Armord in 0.44 11 131 14 4414 12 1414 14 415 6 6 6	Favi Grp 15 27 5% 5% 5% 5% - % Farr Cp 0.26 12 8 8% 6% 6% 6% - % Fasterial 0.02 66 1537 34% 22% 23% - %	Market Co 15 51 77½ 75 77 ¾ Marmottan 87 71 9½ 9 9 - 2 Marmottan 40 44 11 19 12½ 12½ 12½ 12½ 12½ Marstan 40 66 12 605 25% 25% 25½ 25½ + 2	SmemEnvT 11 43 3/4 3/2 5/4 -1/4 Smemtid 26 899 27 7614 2614 -1 SoftwareP 1 460 273 212 212 -1/5
Aspectfel 33 874 37 <sup>1</sup> 4 36 <sup>3</sup> 4 37 <sup>1</sup> 4 + <sup>5</sup> 8 AST Ranch 1 1230 8 <sup>1</sup> 8 47 <sup>1</sup> 2 7 <sup>1</sup> 5 1 <sup>1</sup> 6 Alkanson 2 24 9 <sup>1</sup> 2 9 <sup>1</sup> 4 9 <sup>1</sup> 2	PAP Intl	Master 92 398 10 <sup>2</sup> e 9 <sup>2</sup> e 10 <sup>2</sup> g 10 <sup></sup>	Southist 0.58 11 1335 26 <sup>1</sup> <sub>2</sub> 25 <sup>5</sup> <sub>3</sub> 26 + A Spagel A × 0.30 21 263 7 <sup>3</sup> 2 7 <sup>1</sup> 2 7 <sup>1</sup> 2 1 <sub>2</sub> Spages: 144 1867 42 38 <sup>3</sup> 4 39 1
AB SEAI	Figure A 0.24 4 170 1112 1073 1113 +12 Figure A 0.24 4 170 1112 1073 1113 +12 Figure A 0.24 4 1370 5514 54 5512 +113 Figure Am 1 12 13 1095 4815 4712 4714 +12	McCommit 0.56 34 1784 23 225 23 +32 Medex Inc 0.16 47 45 1132 1133 1174 Melamine 0.24 11 123 812 734 734	St JudeMd 0 40 3514648 43% 41% 43% +1% 51 PaulDe c 0 40 13 239 24% 24% 24% 24% 24% 51 PaulDe c 0 40 13 239 24% 24% 24% 24% 24% 24% 24% 24% 24% 24%
Autosto 0.24 19 5150 3012 29 2934 +12 Autonoto 16 70 378 378 378 378 478 Autonotoka 11874 378 374 374 +19 Autonotoka 0.92 9 1322 418 1678 1778 +78	Fist Secty 1.12 15 1944 37 1 <sub>2</sub> 36 1 <sub>4</sub> 37 + 3 <sub>3</sub> Fist Tenn 1.88 12 792 61 1 <sub>4</sub> 60 1 <sub>4</sub> 60 3 <sub>4</sub> - 3 <sub>3</sub> Fixther 1.20 14 154 45 2 44 3 <sub>4</sub> 45 5 <sub>5</sub> + 5 <sub>3</sub>	Memor Cp 0 10 33 880 2814 2714 2816 Memor 024 1733467 1413 1212 1418 +114 Mercant B 092 12 1483 2712 2716 2716 +116	Staples 41 8875 24 4 24 24 4 4 5 5 5 5 5 5 5 6 5 6 7 5 6 4 16 7 9 6 6 7 6 7 6 7 6 7 6 7 6 7 6 7 6 7
	Fitment 1.00 37 108 29 <sup>1</sup> 2 28 <sup>1</sup> 4 28 <sup>1</sup> 4 - <sup>1</sup> 4 Firstness 25 1154 27 <sup>1</sup> 4 26 <sup>1</sup> 2 26 <sup>1</sup> 6 - <sup>1</sup> 8 Fisery 20 3353 27 <sup>1</sup> 4 27 27 <sup>1</sup> 2 - <sup>1</sup> 4	Mercenti 4 390 19 <sup>1</sup> 4 19 19 <sup>1</sup> 4 Mercury 6 0 80 16 658 48 <sup>1</sup> 4 46 <sup>1</sup> 4 48 <sup>1</sup> 4 + <sup>1</sup> 2 Mendian 1 48 16 3728 u48 <sup>1</sup> 2 47 <sup>1</sup> 6 48 + <sup>3</sup> 4	Std Regis 0.76 17 96 19 <sup>1</sup> 2 19 19 <sup>1</sup> 2 - <sup>1</sup> 4 Streat Tec 0.06 19 276 12 <sup>1</sup> 4 12 12 Stokkyusa 0.20 3 698 4 <sup>1</sup> 5 3 <sup>5</sup> 8 3 <sup>5</sup> 8 - <sup>1</sup> 5
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	Flow int   15 1 252   91 <sub>3</sub>   83 <sub>6</sub>   83 <sub>4</sub>   1 <sub>2</sub>   FoodLA   0.10   15 1245   51 <sub>6</sub>   55 <sub>7</sub>   55 <sub>7</sub>   FroodLB   0.09   16 1208   53 <sub>4</sub>   53 <sub>5</sub>   51 <sub>6</sub>   41 <sub>6</sub>	Mersel 12 920 372 d334 334 136 Mess Air 19 1012 632 8 848 34 Methode A 0.16 14 639 1434 1232 1334 MFS Cm 14 4872 u8015 5812 60 434	Shouth 7 587 194, 187, 194, + & Shouth 7 587 194, 187, 194, + & ShouthCi 1.10727 325 25 244 244 ShouthDy 35217466 283, 27 283, + 1,4
Butterni, B 0.32 4 10 17 <sup>1</sup> 4 17 <sup>1</sup> 4 17 <sup>1</sup> 4 17 <sup>1</sup> 4 + <sup>7</sup> 8 Builty+Sin 1793 5 4 <sup>3</sup> 4 4.90 - 05 Banciac 15 123 18 <sup>1</sup> 4 17 <sup>1</sup> 4 18 <sup>1</sup> 4 + <sup>1</sup> 4	Foremost 1.08 16 382u59 <sup>1</sup> 4 54 <sup>3</sup> 4 59 <sup>1</sup> 4 +4 <sup>1</sup> 4 Forschner 21 88 12 <sup>1</sup> 4 12 12 <sup>1</sup> 8 + <sup>1</sup> 8	MFS Cm 14 4872 u60 ½ 58½ 60 +¾ Michael F 020 12 27 11½ 10¾ 11½ Micraege 471 1021 9¾ 9¾ 9¾ .¾ Microcom 34 4432 26¾ 24¾ 25½ -1½	Stryker 0.09 30 2536 55 <sup>1</sup> g 53 <sup>7</sup> g 55 + <sup>7</sup> g SuthkanD 13 187 10 <sup>3</sup> g 9 <sup>7</sup> g 10 <sup>3</sup> g + <sup>1</sup> g SuthkanD 0.80 2 2 026 <sup>1</sup> g 26 <sup>1</sup> g 4 <sup>2</sup> g 4
BankersCp 0.56 10 48 173 17 17 Bankersch 0.62 10 9 345 333 33 33 34 Banta Geo 0.64 16 2410 4212 413 42 -14	Footer A 5 84 37g 37g 37g 37g -1g Frith Pin 1.16 18 1249 u421g 401g 413g -12 Footer A 0.48 10 151 217g 217g 217g	Microtil 54 44.52 254 24-7; 25-72 -1-2 Microtils 0 8C5 3 <sup>3</sup> 8 3 3 <sup>1</sup> 4 Microtil 5234273 9C <sup>1</sup> 4 9O <sup>1</sup> 2 92 +1 <sup>2</sup> 6	Summit Bc 0 84 15 765 3244 32 321 <sub>0</sub> -1 Summit Te 107 1432 341 <sub>4</sub> 331 <sub>4</sub> 331 <sub>4</sub> -7
Basset F 0.80 14 256 2514 3412 2458 -14 BayNtwik 3733680 4314 4114 4214 Bay View 0.50 91 95 2718 2658 2658 -18	FSI Hawai 1.18 11 372 285g 281g 285g + 15 Fuller HB x 0.64 16 686 37 351g 361g + 2 FullonFin 0.68 13 112 221g 211g 211g 4	Mid 49 M 15 43 20 2 20 2 20 4 + 14 MowGrain 0 50 73 10 13 4 13 4 13 4 13 4 13 4 13 4 13 4	SumMic 2035503 46 <sup>3</sup> 8 45 46 <sup>1</sup> 4 + 18 Summ Rs 240 2 12 <sup>1</sup> 2 12 12 - <sup>1</sup> 4
Baytenies 2.40 13 1837 98 9534 9734 + 134 PE Aero 66 1652 1334 13 1334 + 14 BeautiCos 0.42 12 54 87g 0812 8.52	FutmedADR 1 105 1 3c 3a	Million	Swift Tra 19 1256 17 <sup>1</sup> 2 16 <sup>1</sup> 2 17 <sup>1</sup> 2 + Sphase Inc 12211240 33 32 33 + 9 Symanter 1771221 12 <sup>1</sup> 8 11 <sup>2</sup> 4 12 + 12
BFmidaRi 57 7 2½ 02¾ 2½ BeniLlerry 806 532 16¾ 15 16¾ +53 BeniLlerry 0 48 18 133 50¾ 49¾ 50¾	- G - G RAPP 2 190 278 278 278	Modern Co x020 21 3 113g 113g 113g 113g 13g 13g 14d Modern Mi 060 11 1414 2512 2534 2536 12 Moleo A 006 22 2684 3134 30 3114 + 3g	Syntation   0.32 9 767 1634 15 1512 -11,     Syntate   241 502 2914 2814 29 4     SystemSoft   0.10 27 1489 2312 2214 2214 -3
BHA Srp x 0.12 12 4 13 <sup>1</sup> 5 13 <sup>1</sup> 6 13 <sup>1</sup> 6 13 <sup>1</sup> 7 13 <sup></sup>	S&K Serv   0.07 24   159   25 2412 2412   -12	Motor inc	Systemaco
Bindley W 0.08 12 83 17 <sup>3</sup> g 17 17 <sup>3</sup> g - <sup>1</sup> 2 Blogen 4561232240 <sup>1</sup> 2 67 <sup>1</sup> 4 69 <sup>2</sup> g +2 <sup>1</sup> 4 Bloget 2519824 19 <sup>5</sup> g 17 <sup>1</sup> 2 18 <sup>3</sup> 4 - <sup>1</sup> g Block Drg 1.08 14 72 40 <sup>3</sup> g 38 <sup>3</sup> g 39 <sup>3</sup> 4 - <sup>1</sup> g	Ghag 2000 11 9983 26 2476 2576 +72   Gent Co	MTS Sys 056 12 423 23 <sup>3</sup> c 32 <sup>3</sup> c 32 <sup>3</sup> c 32 <sup>3</sup> c + <sup>1</sup> c Mycopen 18 88 15 <sup>3</sup> c 15 <sup>3</sup> c 15 <sup>3</sup> c + <sup>1</sup> c	- <b>T</b> - T-Cell Sc 4 493 3 <sup>1</sup> g 2 <sup>7</sup> g 3 -1,
BMC Softw 3312985 u55 <sup>2</sup> 4 52 55 +1 <sup>1</sup> 2 Bostmen S 1.48 12 7331 42 <sup>1</sup> 4 40 <sup>5</sup> 9 42 + <sup>7</sup> 8 Bob Evans 0.32 13 1086 16 <sup>3</sup> 4 16 <sup>3</sup> 4 16 <sup>3</sup> 4 + <sup>1</sup> 2	Gentyte   11 372 712 714 716 -16   GentiaPh   4 8329 635 576 6   GentiaPh   4 8329 632 24 2418 -18	- N - NACRe 020 11 13 34 <sup>1</sup> 4 33 <sup>1</sup> 5 34 <sup>1</sup> 4 +2 <sup>1</sup> 8	Trowe Pr 0.84 21 2493 54 <sup>1</sup> 4 50 <sup>1</sup> 4 54 +25 <sup>1</sup> TBC Cp 9 2269 7 6 <sup>2</sup> 3 6 <sup>2</sup> 5 -1 TCA Cable 0.56 24 433 30 <sup>7</sup> 8 30 <sup>1</sup> 8 30 <sup>1</sup> 5 -1
Boole 8 18 219 2234 2214 2734 - 12 Borland 12 6122 1858 18 1838 + 14 Boston 6k 076 7 386 42 4134 4134 - 14	Genus Inc. 15 1986 8 <sup>5</sup> 3 7 <sup>3</sup> 4 8 - <sup>3</sup> 8 Genzyme 5012502 u76 72 <sup>3</sup> 4 75 <sup>7</sup> 8 +3 <sup>3</sup> 8 Geotek Cm 615374 8 <sup>3</sup> 2 8 <sup>3</sup> 8 8 <sup>3</sup> 2 + <sup>3</sup> 4	Nash Frich   0.72   10   215   17 $^{1}$ 2   17   17 $^{1}$ 4   Nat Compt   0.36   20   525   19 $^{3}$ 4   18 $^{1}$ 4   19 $^{5}$ 8   $+5$ 8   Nby Sun   0.20   37   730   0.32   29 $^{3}$ 4   31 $^{1}$ 4   $+1$ 8	TG GDA 995.295 21 2012 2073 + 3 Testibuta 28 2007 135 1372 1312 + 1 Technique 100 9 157 16474 5234 53 + 74
Boskun Tc 56 2457 14 <sup>3</sup> g 13 <sup>5</sup>	Genom Gr	Navigator 6.00 15 244 1734 1614 1614 -1 NEC 0.45 45 12 611 <sub>3</sub> 601 <sub>2</sub> 501 <sub>2</sub> +3 <sub>3</sub> Nelton 605 3055 6114 7014 6114 +3 <sub>8</sub>	Teketec 15 496 12 11 <sup>1</sup> 4 11 <sup>1</sup> 2 - <sup>1</sup> 4 Tekete 5vs 23 388 12 <sup>1</sup> 4 11 <sup>2</sup> 3 11 <sup>2</sup> 6 - <sup>1</sup> 4 Teket 6 851 5 <sup>1</sup> 4 45 4 <sup>2</sup> 3 - <sup>1</sup> 5
BSB Bnop 0.80 11 172 23 <sup>1</sup> 4 22 <sup>1</sup> 4 22 <sup>1</sup> 2 - <sup>1</sup> 4 BT Shipng 0.48 42 20 3 3 3 Buffets 17 1303 13 <sup>1</sup> 4 13 <sup>1</sup> 4 13 <sup>1</sup> 2	Sish Biori   21   16   8 <sup>1</sup> 4   7 <sup>3</sup> 4   7 <sup>3</sup> 4   -1 <sup>9</sup>   Sood Guys   9   973   8 <sup>7</sup> 8   8 <sup>5</sup> 6   8 <sup>3</sup> 4   +1 <sup>1</sup> 5   SouldsProp 0.80   26   1303   23 <sup>1</sup> 8   21 <sup>7</sup> 3   22 <sup>1</sup> 4   -1	Neostar         7         191 $5^1 e$ $5^1 e$ $5^1 e$ $5^1 e$ $16^2 e$ <td>Teliabs 3412572 44 42<sup>1</sup>4 43<sup>3</sup>6 - <sup>1</sup>6 Teliab Cp 0.01 24 1115 20<sup>1</sup>4 19 19<sup>1</sup>4 - <sup>1</sup>6 Telia Tec 22 600 16<sup>1</sup>5 15<sup>3</sup>2 15<sup>3</sup>4</td>	Teliabs 3412572 44 42 <sup>1</sup> 4 43 <sup>3</sup> 6 - <sup>1</sup> 6 Teliab Cp 0.01 24 1115 20 <sup>1</sup> 4 19 19 <sup>1</sup> 4 - <sup>1</sup> 6 Telia Tec 22 600 16 <sup>1</sup> 5 15 <sup>3</sup> 2 15 <sup>3</sup> 4
BuildersT 19 147 8 7½ 8 +½ Berr Brwn 14 839 27¼ 26½ 27 -½ BusinessR 22 19 38½ 38½ 38½ -¾	Grande 0.30 13 37 29% 29½ 29¾ +¼ Grande 0.30 13 37 29% 29½ 29¾ +¼ Green AP 0.28 8 47 18½ 19 18¼ +½	New Image 1 105 2 2 2 2 2 2 2 3 3 4 4 1 4 New Image 2 321 50 2 49 2 50 3 4 4 1 New Image 2 321 50 2 49 2 50 3 4 4 1 New Image 2 32 50 2 49 2 50 3 4 4 1 New Image 2 32 50 2 49 2 50 3 4 4 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	TevaPhADR 0 10 30 2827 445 433 4412 +54 Three Com 443228 46 43 5 454 +15 Th 14 518 713 63 615 +1
Buderkiig 0.40 11 252 35 <sup>1</sup> 2 33 <sup>1</sup> 2 34 <sup>1</sup> 4 + <sup>1</sup> 4	Grossmans 6 496 1½ 1½ 1½ 1½ 1½ 1½ 1½ 1½ 1½ 13 13 13 13 13 13 13 144 14½ 14½ 14½ 14½ 14½ 14½ 14½ 14½ 14½	NextetCmA         10 9792         13½         <	Tulns 0.22279 554 18 16 4 16 4 - 4 Todd-AD 0.05 22 5 878 878 878 Tokes Med 13 419 948 9 91s
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## Dow takes a breather after its record run

#### **Wall Street**

US stocks took a breather after their record breaking run on hopes of an interest rate cut. Prices were muted ahead of the decision from the Federal Open Market Committee, due in the afternoon, and traded within a narrow range, writes Maggie Urry in New York.

By 1 pm the Dow Jones Industrial Average, which rose nearly 110 points over the first 2.17 at 5,383.38. The broader indices edged higher, with the Standard & Poor's 500 up 2.80 at 632.95 and the American Stock Exchange composite ahead 0.62 to 551.58. The Nasdaq composite rose 3.02 to 1,054.32. Volume on the NYSE came to 259m shares.

Stocks had little lead from the bond market, which was quietly firmer ahead of the interest rate decision, aided by suggestions that inflation remained under control and that economic activity was

Cyclical stocks underperformed others, as a slowing economy would affect their profits. Within the Dow's 30 shares, Caterpillar fell \$% to \$63%, Goodyear Tire and Rubber \$1 to \$47 and International Paper \$1 to \$40%.

Earnings reports gave the market some impetus. Ford Motor beat expectations with fourth-quarter earnings per share of 49 cents, compared four new companies. The ADRs

with forecasts of 21 cents. The stock rose at first but slipped later to show a loss of \$\% at \$29%; Chrysler and General Motors also fell, the latter retracing some of its \$1% rise on Tuesday when it reported strong fourth-quarter earnings. Chrysler shed \$1/2 to \$571/4 and GM \$% to \$52%.

Philip Morris, the tobacco and food group, pleased the market with fourth-quarter earnings per share slightly above forecast. Its shares rose

Kimberly-Clark, the paper maker which recently acquired rival Scott, reported earnings below forecasts. That initially hit the shares, which fell \$31/4 to \$76. However, they recovered sharply as analysts looked behind the headline figures, to show a net gain on the day of \$% at \$80%.

Also disappointing was Bethlehem Steel, which as well as producing fourth quarter earnings below forecasts was cautions for the first quarter of the current year, saying price increases would not take effect until the second quarter. The shares dipped \$1/4 to \$15.

Corning shares were active on hopes that the diversified manufacturer might raise \$1bn by selling its faltering laboratroy services division. The shares rose \$% to \$31%.

Topping the active share list was Hanson ADRs, following the Anglo-American group's decision to break itself into relinguished \$\% at \$15\%.

Toronto was weak in midses sion, awaiting news on the direction of US interest rates. The TSE-300 composite index was down 28.33 by noon at 4,959.54, after Tuesday's record close, in volume of 50.3m shares.

Nova, the energy giant, gave up an early advance to trade C\$% softer at C\$12%. Corel picked up C\$% to C\$14% after the company acquired the WordPerfect word

processor and related software

#### **SOUTH AFRICA**

from Novell.

Johannesburg was under pressure as profit-takers returned with a vengeance to the industrial market and bullion's undecided mood made for nervous trading in golds. The overall index fell 60.1 to 6,870.1; industrials shed 69.5

32.8 to 1.698.1. Analysts said that the market had begun to stabilise in late trade, after its intra-day correction which was sparke in part by growing uncertainty about the possibility of a rate

to 8,598.9 and golds dipped

cut in the first half of the year. Dealers said that cyclical shares had been responsible for most of the day's activity with Iscor, the biggest loser among blue chips, falling 25 cents or 7.2 per cent to R3.21.

## January ends with new Frankfurt peak

Another aggressive repo rate dropped DM9.70 or 4.3 per cent cut, 15 basis points, saw FRANKFURT set an emphatic new high on the session. It closed official business with the Dax at 2,470.14, wobbled in the afternoon as the dollar, bonds and the Dow moved against it, and ended This trad-

ing with a 6.91 gain at 2,463.00/ Turnover rose from DM11.1bn to DM13.4bn; Daimler, Deutsche Bank and Siemens traded in DM4.4bn between them. Mr Eckhard Frahm at Merck Finck in Disseldorf calculated that the official close left the Dax up 9.6 per cent on the month, compared with a 7 per cent gain for

the whole of 1995.

The market, said Mr Frahm, was being driven by the dollar and corporate restructuring prospects, as well as by liquidity and the interest rate environment. DAX 30 earnings per hare were expected to rise by 30 per cent this year, and by 13 per cent in 1997, and dollar-related stocks dominated the best Dax performers in January, led by Continental, Bayer and BMW, up 21.5, 17.6 and 15.1 per cent respectively.

Lufthansa rose another DM5.80 yesterday to DM223.80; the flag airline told a German business magazine on Sunday that it could treble its earnings by the year 2,000. SAP prefs

**ASIA PACIFIC** 

to DM217.50 after a 44 per cent rise in 1995 earnings, and confident predictions for 1996.

PARIS, down at one point, rose for the sixth consecutive session on late foreign buying. the CAC-40 index ending 17.90 higher at 2.031.03, with turnover inflated to FFr7.23bn by expiry-related arbitrage.

Stocks which got a poor early reception improved. Bouygues, after its news of heavy provisions against the 1995 accounts, fell to FFr492.50 before closing a net FFr15 down at FFr517; L'Oreal, rela-tively flat in its initial reaction to higher turnover and profits for 1995, ended FFr19 shead at

Meanwhile, Rhône-Poulenc, the chemicals and pharmaceuticals group, outdistanced most blue chips with a gain of FFr4 at FFriis, on higher earnings and plans to sell FFriohn of

assets to reduce debt.

MILAN built up its hopes for an imminent solution to the government crisis. The Comit index rose 6.17 to 619.94, while the real-time Mibtel index was 82 higher at 9,923.

Stet forged ahead L224 to L4,971 after newspaper reports be sold in tranches, although many analysts were scentical about the practicalities of such

THE EUROPEAN SERIES 14.00 15.00 Com 13.00 FT-SE Eurotrack 100 1563.12 1562.42 1552.27 1560.45 1561.58 1561.18 1559.49 1559.54 FT-SE Eurotrack 200 1665.62 1665.80 1663.63 1664.63 1665.16 1663.60 1663.10 1662.09 Jan 25 Jan 26 1536,40 15.825 FT-6E Berdenck 100 FT-SE Europeack 200

an operation.

Fiat was weak after its recent spurt, awaiting Mr Gianni Agnelli's last annual letter to shareholders as chairman, which came after the market closed. The shares fell L65 to L5,334. Mr Nicholas Potter at Credito Italiano International described the 1995 results as "acceptable but nothing special", adding that the company was capable of significantly more.

ZURICH continued higher,

supported by a steady dollar, but activity was thin as many investors awaited the outcome of the FOMC meeting. The SMI index rose 11.9 to 3,248.7. Bank Baer, which released 1995 figures, picked up SFr30 to

SFr1.260. Registered shares in Elco Looser, the heating equipment manufacturer, which closed at SFr491 on Tuesday, were suspended throughout yesterday's session ahead of the SFr535 a share bid from Preussag, the German engi-

MADRID featured a near 8 per cent gain in Repsol, up Pta125 at Pta4,360, on signs that the latest privatisation offer was being well absorbed. The general index rose 27.40 to 3,734.49. BRUSSKLS liked a 15 basis-point cut in the Belgian National Bank's central rate, and the Bel-20 index put on 14.56 at 1,690.23.

Forestries, with sector indices up 2.7 and 2.3 per cent respectively, lifted HELSINKI, where the Hex index rose 12.50 to 1,752.41, and STOCKHOLM, where the Affarsvarlden General index closed 16.1 better at 1,765.1. However, the Swedes also enjoyed a 1.6 per cent lift in the drugs sector, where Astra rose SKr5 to SKr282, and Pharmacia & Upjohn also by SKr5, to SKr282.50, after overnight sector gains in the US.

ISTANBUL leapt 6.9 per cent as Turkey and Greece with-

ing activity.

outcrop in the Aegean Sea after a tense stand-off on Tuesday. The IMKB-100 index gained 3,210 at 49,489.5. Analysts noted, however, that the market remained sensitive to domestic politics over efforts to form a coalition government after the inconclusive Decem-

ATHENS also reacted to the de escalation of tension, with a 1.6 per cent rise. The general index moved up 15.08 to 989.45. WARSAW picked up 24 per

advance to 30 per cent and the market to a 52-week high. The Wig index rose 241.6 to 10,413.1 on hopes that the year's second interest rate cut could come as soon as February. Animex, the food processor jumped 2.70 zletys to 29.80 on

cent, taking the month's

news that it would receive a 19m-zloty retund after paying too much tax in 1990. BUDAPEST was higher for the 13th successive session and the Bux index climbed 65.26 to 2,068.06. Bearer shares in Agrimpex, the agricultural trading company, soared Ft1,500 to Ft13,000 as the group

established a subsidiary

intended to centralise its trad-

## São Paulo mixed at midday

São Paulo was mixed in midday trade as largely shrugged off news of a sharp drop in investors digested the lowering of Brazil's real industrial output. The Merval index had slipped currency foreign exchange band. The Bovespa index, which jumped 4 per cent on Tuesday, was 28 points higher at 51,363. Analysts noted that although the change was seen as positive, foreign investors, in particular, might need some time to understand that the central bank move did not have immediate implications for the country's foreign exchange policy.

BUENOS AIRES was slightly weaker, although analysts noted that investors had at 2,044.48.

1.14 points to 562.76 in early trade.

Dealers also noted that the market was holding fire, awaiting the US Federal Open Market Committee's decision on whether to lower

short-term interest rates.

CARACAS equity and Brady bond prices were

9	lower i	n midday	trade a	is the	market	con
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	EMERGING	MARKETS:	IFC WEE	KLY INVEST	TABLE PRIC	e indice:	8
Market	No. of stocks	Jan. 26 1995	Dollar terms % Change over week	% Change on Dec '95	Lan. 26 1995	% Change over week	tenns % Change on Dec '95
Latin Americ	a (248)	510.56	-0.3	+8.2		<del></del>	
Argentina	(31)	880.80	+2.0	+10.0	540,244.42	+2.0	+9.9
Brazil	(68)	340.18	-0.1	+11.4	1,244.97	+0.5	+12.1
Chile	(43)	719.82	-3.7	-3.8	1,191.49	-2.9	-2.3
Colombia <sup>1</sup>	(15)	560.01	-0.7	-6.4	1,018.66	-0.1	-2.9
Mexico	(65)	521.75	+1.1	+15.1	1,670.50	+1.1	+10.9
Peru²	(21)	203.33	-2.3	+3.1	293.97	-1.2	+5.8
√enezuela³	(5)	318.78	+3.8	-4.7	2,693.27	+2.9	+3.2
Asia	(631)	244.02	+0.2	+5.1	•		
China <sup>4</sup>	(23)	59.61	-1.6	+10.2	62.58	-1.7	+10.1
South Korea		121.42	+3.0	-3.6	125.40	+2.4	-2.3
Philippines	(35)	290,49	+3.9	+11.9	367.29	+3.8	+11.7
laiwan. Chin		107.54	-1.7	-4.6	110.87	-1.5	-4.0
ndia <sup>7</sup>	(76)	72.78	-2.4	-9.4	92.97	-2.2	-7.4
ndonesiaª	(44)	120.24	+0.4	+9.6	149.77	+0.6	+9.9
Valaysia.	(123)	287.50	-0.6	+6.0	271.04	-0.5	+6.7
Pakistan*	(25)	264.72	+8.6	+9.1	411.36	+8.6	+9.1
Sri Lanka**	(5)	108.43	+0.3	+4.2	126.20	+0.3	+4.4
TheBand	(72)	403.38	-0.1	+7.3	405.87	+0.1	+8.0
Euro/Mid Es		159.06	+0.6	+12.3			
Greece	(47)	252.49	-1.0	+4.5	421.92	+0.5	+9.0
-tungary"	(8)	126.10	+7.A	+28.1	215,68	+9.0	+33.3
Jordan	(8)	182.03	+0.8	-1.4	271.64	40.8	-1.4
Poland <sup>12</sup>	(22)	540.62	+14.6	+26.8	868.82	+15.7	+31.2
Portugal	(26)	121.59	-0.0	+5.0	129.69	+1.5	+9.1
South Africa		288.57	+1.6	+11.8	217.86	+1.9	+12.2
Furkey <sup>4</sup>	(54)	130.71	-7.4	+25.1	3.851.14	-5.3	+28.8
Zimbabwe <sup>s</sup>	(5)	290.68	+1.3	+5.8	402.44	+1.5	+6.7
Composite	(1117)	297.40	+0.1	+7.8	702177		

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Fitchy, which are: (I)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (5)Jan 4 1991; (7)No Dec 31 1992; (1)Dec 31 1

The Asian emerging markets are finding favour once more as US money returns, writes John Pitt. Standard Chartered says that the growth of interest stems from several fundamental changes in attitude: yields on US 30-year bonds have fallen, while the Dow Jones Industrial Average, at new highs, has encouraged many investors to look around for opportunities to "hedge their bets". The rally in Hong Kong this week certainly bears testimony to such a view.

This week Mr Alan Butler-Henderson of ING Barings said that he was reaffirming his bullish stance on the region, and he believed Malaysia, Thailand and the Philippines would be the best performers. Throwing caution to the wind he forecast that the regional index was likely to rise by 12.5 per cent between now and April, "rising to 20 per cent during the second half of 1996 and advancing to 50 per cent by November. In contrast, Wall Street will continue along its conservative track, and dollar-based returns from Japan and Europe will temper as a result of currency weakness."

## Nikkei at 17-month high on foreign demand market activity. Nomura Secu-rities put on Y90 at Y2,320 and tion grew that there could be a larly strong gains in property spate of covered warrant and banking, and on some

#### Tokyo

Japanese equities saw broad, active foreign buying on mounting hopes of economic recovery and following another record breaking Wall Street advance. The Nikkei average closed at a 17-month high, writes Emiko Terazono in

The 225 index was up 90.30 at 20,812.74 after moving between 20.786.63 and 21,021.53, topping 21,000 briefly for the first time since June 1994 on purchases of cyclicals such as steels and shipbuilders.

Volume totalled 731m shares, against 560m. Foreigners and brokers bought large-capital cyclicals, while individual investors traded speculative favourites. But domestic institutions remained on the selling side. The Topix index of all first section stocks rose 14.97 to 1,613.11 and the Nikkei 300 by 3.20 to 301.79. Advances led declines by 727 to 342, with 145 issues unchanged.

In London the ISE/Nikkei 50 Investor confidence was also boosted by the yen's decline against the dollar. On the economic front, following Monday's rise in industrial production, the Economic Planning Agency's Tuesday report of the diffusion index of leading economic indicators in November stayed above the boom-or-bust level of 50 per cent for the second consecutive month.

NKK, the steelmaker, was the most active issue of the day, gaining Y8 at Y305. Investors were encouraged by NKK's restructuring of its leas-ing subsidiary and the stock was supported by foreign and domestic institutional buying. Other steel issues were also firm, Kawasaki Steel rising Y14 to Y379 and Sumitomo Metal Industries Y10 to Y349.

The dollar's rise supported shipping companies, which conduct their business in the US currency. Showa Line moved ahead Y11 to Y228 and Mitsui OSK Lines Y10 to Y352. Brokers gained ground on expectations of higher earnings due to the recent rise in stock

Speculative shares were mixed. Announcements by the Tokyo and Osaka stock exchanges of restrictions on margin trading in Daido Steel Sheet prompted profit taking in some issues. Daido fell Y40 to Y2,150 and Kyokuyo inched down Y1 to Y849. However,

Daiwa Securities Y50 at Y1.600.

Toho Zinc climbed Y27 to Y800. in Osaka, the OSE average moved up 212.71 to 22,331.56 in volume of 149.8m shares.

#### Roundup

The regions's biggest markets, especially, were influenced by Wall Street. HONG KONG, however, gave up part of its sharp early gains as specula-

issues. The Hang Seng index still ended 158.24 or 1.4 per cent ahead at 11,359.70, after a day's high of 11,411.14, in turnover

that swelled to HK\$9.1bn. SYDNEY offered better than expected December current account data and a subsequent rally in bonds as the domestic ingredients as the All Ordinaries index advanced 22.7 to 2,288.5 in turnover of A\$670.1m.

WELLINGTON's market leaders, Telecom and Carter Holt, both closed 11 cents up at NZ\$6.45 and NZ\$3.17 respectively. The NZSE-40 index rose 23.09 to 2,114.66 in good volume

SINGAPORE finished higher on foreign institutional interest in blue chips, with particu-

light accumulation in recent underperformers. The Straits Times Industrial index put on 25.47 at 2,449.15.

BOMBAY was higher on further foreign demand, with investors apparently shrugging off the sliding rupee, which fell to an all-time low against the dollar in intra-day trading. The BSE-30 composite index gained 21.92 at 2,931.84.

JAKARTA rose in anticipation of lower US interest rates, the JKSE composite index gaining 9.38 or 1.65 per cent at 578.56, with liquid, heavyweight stocks prominent among the winners. BANG-KOK registered a six-month peak, also in busy trade, the and the weight SET index closing 16.99 up at 40.40 at 4,763.40

1.410.33 in Bt15.5bn turnove SEOUL saw demand for blue chips offset selling of smallcapitalisation stocks, and the composite index added 3.37 at 878.82 ahead of today's publication of consumer and producer price figures.

KUALA LUMPUR extended recent gains, although late for elgn selling trimmed prices as many investors, apparently, decided to lock in profits ahead of a market holiday today. The composite index finished 2.53 ahead at 1,055.42, having touched 1,067.50.

TAIPEL, still troubled by China fears, fell late in the day. Selling pressure emerged from short-term oriented investors after Tuesday's strong rally, and the weighted index lost

## LVMH

## MOËT HENNESSY - LOUIS VUITTON

**REPORTS 1995 SALES OF FRF 30 BILLION** 

In 1995, the LVMH Moet Hennessy Louis Vuitton Group recorded preliminary consolidated net sales of FRF 29.8 billion, an increase of 6.4 % over the 1994 level. On a constant currency basis, 1995 sales increased by 11.7 %.

The major highlights of 1995 were:

e growth in sales volume in all our segments of activity, with higher increases recorded in luxu-

ry products than in wines and spirits; sharp sales increases in certain countries, notably the US, China and the UK;

market share gains in all our activities;

· an active brand management strategy and successful new product launches both in wines and spirits and in perfumes, notably with Dolce Vita at Parfums Christian Dior;

strengthened brand portofolio with the acquisition of the jeweller and watchmaker Fred;

a further sharp decline in financial expenses.

By segment of activity, Group sales developed as follows:

	'	
In FF million	1994	1995
Champagne and wines	5,712	5,830
Cognac and Spirits	5,987	5,275
Luggage and leather goods	6,716	7,406
Perfumes and beauty products	7,686	9,268
Other activities	1,866	1,985
LVMH	27,967	29,764

These performances were achieved despite difficult circumstances characterized by slower economic growth in most of the Group's major markets, the declining exchange rates of major cult rencies against the French franc, and strikes in France towards the end of the year. Apart from lower currencies and the slowdown in economic growth two other external factors

had a negative impact on the Group's 1995 profits: • the lower profit forecast by Guinness, the British drinks group in which LVMH holds a 20 % interest, following the announcement of a series of restructuring measures which will impact

• the announced rise in French corporate tax rates, which will increase the Group's tax burden. Despite these factors, LVMH anticipates that its net income will be up by about 10 % in 1995.

In 1996, in an uncertain economic and monetary environment - with a rising US dollar and a still fragile recovery in Japan -, the LVMH Group will continue to build on its existing strengths

• the appeal of its brands will be enhanced, through improved advertising, further new store openings, and a continuing commitment to the highest quality standards; • new markets will be developed; in Southeast Asian countries such as Vietnam and latin

American countries such as Brazil, the Group will increase its distribution capacity; • new products will be launched, notably in the perfumes and beauty products segment where Guerlain, Givenchy and Kenzo all plan introductions in 1996.

• the new organizational structure of the wines and spirits segment and the recently developed regional structures will yield new synergies in distribution.

External growth should also contribute to the Group's performance; in particular, the planned acquisitions of Céline and Loewe should soon be finalized. Taking into account the Group's environment in the foreseeable future and its growth potential, LVMH has set as its objective a further increase in profits in 1996.

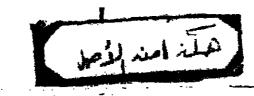
The LVMH Group's full results for 1995 will be released on March 21, 1996.

LVMH, THE WORLD'S LEADING LUXURY PRODUCTS GROUP

## FT/S&P ACTUARIES WORLD INDICES

NATIONAL AND REGIONAL MARKETS								MONDAY JANUARY 29 1995 DOLLAR RIDEX								
Figures in perentheses	US	Dey's	Pound	WAL 11/10	UP411 44	Local	Local	Gross	LIS	Pound		. 24 155	Local			Year
show number of lines	Dollar	Change	Sterling	Yen	D86	Currency		Div.	Dollar	Sterling	Yen	DM	Currency !	52 week	52 week	900
of stock	Index	%	Index	Index	inciex	Index	on day	Yield	Index	Index	Index	Index	index	High	LOW	(approx)
Australia (81)	192.89	-0.3	190,11	130,76	149.40	172.95	-0.6	3,87	193.52	190.28	130,40	149.50	173,95	196.40	157.95	
Austria (26)		0.1	183,04	125.90	143,84	143.66	0.3	1.50	185.61	182.50	125.07	143.39		199.28	167.48	
Belgium (34)		0.5	. 209.03	143.78	164.27	160,30	0.9	3.26	211.03	207,AB	142.20	163.02		215.22	166.85	
Brazit (28)		3.2	157,68	108,59	124.07	288,39	32	1.53	155.21	152.61	104.59	119.90		160-23	96.06	
Cenada (101)		1,0	153.65	105.69	120.75	155,59	0.5	2,40	154,41	151.82	104.06	119.28		155.89	121.81	121.81
Derumerk (33)		-0.2	293.11	201.51	230.35	233,23	0.1	1.40	297.86	292.87	200.71	230.10		302.74	252.41	254.06
Finland (24)		0.8	175.99	121.05	138.30	171,19	1.2	1.26	177.07	174.10	119.32	136.79		27B.11	171.13	
France (99)		8.0	181.38	124.76	142.54	147.78	1.1	3.08	182.51	179.45	122.98	140.99		191.17	159.06	160.81
Germany (60)		-0.7	168.22	114.33	130.63	130,63	-0.4	1.83	169.80	166,96	114,42	131.17		170.83	139.77	141,21
Hong Kong (59)		1.3	428,89	295.00	337.05	432,01	1.3	3.28	429.59	422.39	289.47	331.86		435.14	293.01	298,17
Ireland (16)		-0.5	251.24	172.81	197,44		-0.3	3.33	256.20	251,91	172.64	197.92		262.70	205.44	209.75
Italy (59)		1.7	75.15	51.69	59.06	91,11	1.7	1.61	74,96	73.70	50.51	57.91		82.71	B5.45	79.78
Japan (482)		-0.3	148.11	101.87	116.40	101,87	0.8	0.75	150.77	148.25	101.60	116,47		164.82	136.95	148.89
Malaysia (107)	508.08	0.8	500.75	344,43	393,53	500,78	6.0	1.67	504 <i>.2</i> 2		339.76	389.51	495.84	561.96	418.90	418.95
Mesdoo (18)	1214.13	0.3	1196.67	823,11	840,44		-0.2	1,43	1209.94		815.80	934.68		1237.14	647.81	964.79
Netherland (19)	272.32	-0.5	268.41	184.62	210.93	207,33	-0.3	3,15	273.84	269,06	184.39	211,38		290.49	218.81	221.96
New Zealand (14)		0.2	77.72	53.46	61.08	62,60	0.1	4,84	78.66	77.35	53.01	60.77		85.49	72.27	73.47
Norway (33)	224,41	-0.3	221.18	152.13	173.82	198,76	-0.1	2.11	225.20	221.43	151,75	173,97		243,79	202.76	212.25
Singapore (44)		0.1	433.46	298.15	340.65	287,89	0.3	1.40	439.20	431.84	295.94	339.28	287.10	445.07	340.31	340.76
South Africa (45)		-0.1	427.38	293.96	335,87	346,24	-0.2	3.40	434.27	427.00	292.52	335.47		435,21	281.06	284,77
Spain (37)		0.8	150.68	110.52	126.27	156.56	0.0	3.90	161.62	158.91	108.90	124.85	154.22	166.91	124.10	130.38
Sweden (47)		22	297.41	204.57	233.73	311.16	1.0	1.93	295.31	290.36	198.99	228,13		324.31	232.23	237.43
Switzerland (39)		0.9	218.03	149.97	171.34	166,42	1.2	1.60	219.29	215.61	147.76	169,40		239,55	162.89	163.64
	187.95	1.4	185.25	127.42	145.58	184.88	1.4	2,17	185.31	182.20	124.87	143,15	18 <u>2.2</u> 5	187.95	130.15	137.19
United Kingdom (205)		-02	222.78	153.24	175.08	222.78	0.0	4,17	226.50	222.70	152.62	174,97	222,70	232.23	192,73	193.40
	258.83	1.0	253.14	174.12	108.94	258.83	1.0	2.22	254,32	250,05	171,37	196.45	254.32	256.63	191.98	191.98
Americas (779)		1.0	231.42	159.18	181.87	197,36	1.0	2.22	232,47	228.57	156.64	179.58	195.42	234.80	178.22	178.22
Europe (732)	100 54	0.2	196.57	135.27	154.58	175.28	. 0.4	3.02	199.13	195.79	134.18	153.88	174.55	204.32	167.65	168.58
Nordic (137)		1.3	285.50	182.62	208.85	239.00	1.2	1.84	265.96	261.51	179.21	205,48	235,14	295.02	222.22	228.48
				110.64	126.41	113.58	0.3	1.17	163.45	160.71	110.14	126.26	113.20	171.87	145.95	155,07
Pacific Basin (833)		-0.1	160,85			137.00	0.4	2.04	178.21	175.22	120.08	137.67	135.50	163.39	158.37	160.60
Euro-Pacific (1565)		0.0	175.67	120.83	13E.06			2.23	248.11	243.96	167.19	191.67	247.55	250.56	187.63	187.83
North America (733)		1.0	246.96	169.87	194.05	249.99	1.0	2.38	179.78	178.77	121.14	136.86	147.72	184.61	150.45	151.47
Europe Ex. UK (526)		0.4	177.97	122,41	139.66	148.85	0.6		281.22	276.51	189.45	217.24	248.47	282.98	216.81	218.27
Pacific Et. Japan (351)		0.6	278.89	191.83	219.17	249.56	0.6	2.94	180,17	177.15	121.41	139.18	140.89	184.71	158.72	160.64
World Ex. US (1757)		0.1	177.69	122.22	139.64	141.43	0.4		200.54	197.18	135.13	154.91	168.71	202.03	166.82	167.63
	201.57	0.5	198.57	138.65	156.13	169.69	0,7	1.93			158.25			233.49	152.89	182.89
World Ex. Japan (1907)	<b>233.</b> 49	0.7	<b>23</b> 0.13	158. <b>2</b> 9	180,85	221.07	0.8	2,55	对规	228.00	100.27	179,13	219.42	233.48	102.00	106.00

0.5 200.84 138.14 157.83 174,66 0.6 2.13 202.85 199.45 136.89 156.70 173.55 204.65 169.20 189.90



**NEWS:** UK

## UK threatens to challenge Iberia subsidy

By Robert Shrimsley in London and Emma Tucker in Brussels

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The British government last night threatened a European Court challenge to a Commission decision approving a large state subsidy for the Spanish airline Iberia.

Ministers and MPs denounced the ruling by Mr Neil Kinnock, the EU transport commissioner, to approve around Pta87bn (\$713m) aid to the airline as a "depressingly weak deci-

Viscount Goschen, Britain's aviation minister, said he would study the judgment, and added he "certainly would not rule out" a European Court challenge to the ruling. "We have already shown our resolve," he said in a reference to the pending challenge to Air France's state aid.

British Airways expressed "sur-prise" but is waiting to read the terms of the agreement before deciding on possible court action.

Mr Kinnock has justified his position by saying the Spanish government's rescue package for the troubled airline should not be categorised as state aid in the traditional sense. He argued that the sum fell far short of Iberia's original demand for Pta130bn and that it had already

taken substantial steps to turn itself investor would have been prepared to into a viable enterprise. A further Pta20bn is available next year if Iberia can demonstrate its viability.

As part of its restructuring, the airline has been forced to sell its 85 per cent stake in the lossmaking Aerolineas Argentinas, which had been draining it of about \$900m a year. It has also frozen all salaries and made 3,000 workers redundant.

Mr Kinnock said the new investment could be justified on strict commercial grounds under what is known as the "market investor principle". This allows government investment if the Commission is satisfied a private

act in the same way.

However, Lord Goschen disputed Mr Kinnock's argument saying: "If this was a commercial decision, where were the banks? I can't believe anyone seriously believes Iberia is a sound investment."

He derided the ruling as "depressingly weak", adding: "We have worked so hard to get an open market in aviation and this flies in the face of what we have been doing.'

Sir George Young, the transport secretary, said the former Labour party leader's decision could "undermine all our efforts to establish fair

competition in the community aviation market".

Tory MPs were even more furious. Mr Neil Hamilton, former industry minister and a leading Eurosceptic, described the decision as "another Brussels subsidised attack on Britain's efficient private enterprise airlines

"The British government should bang the table and complain at this unfair competition undermining British Airways and other efficient British private sector companies, so that lossmaking state airlines throughout Europe can be subsidised, sometimes through the back door," he said.

## Computer delay hits air traffic control complex

By Michael Cassett. Business Correspondent

The opening of Europe's largest air traffic control centre at Swanwick, near Fareham in Hampshire, has been postponed for a year because of serious problems in installing computer software systems. The £350m (\$528m) develop-

ment, to take responsibility for all air traffic control in England and Wales, was due to open in December this year but will not now become operational until December 1997.

Mr Derek McLauchlan, chief executive of National Air Traf-fic Safety Services, the air traffic control arm of the Civil Aviation Authority, said he was disappointed by the delay but that there was "no question of introducing any new system unless it is absolutely safe".

The IPMS union, which represents 3,500 UK air traffic controllers, said the delay was 'regrettable" but that safety was of paramount importance to its members.

Building work on the centre was completed in 1995 and it is understood that the problems - in attempts to install and integrate 2m lines of software

 began to emerge towards the end of last year. . A NATS spokeswoman said the contractors handling the installation, a consortium led by Loral Systems of the US and also including Siemens Plessey and Frequentis, had "run into snags with an extraordinarily complex task". When it was announced in 1992, the con-

tract was valued at £130m. Swanwick will take over from the London Area and Terminal Control Centre at West Drayton in Middlesex and will be among the world's largest

air traffic control complexes. The investment by the NATS forms part of a planned £650m programme to concentrate its operations at Swanwick and at Prestwick in Scotland, which is scheduled to begin operating at

the start of the next decade. Last year, the government said the planned £200m Pres-twick centre, to handle traffic over Scotland and the northeastern Atlantic, would have to be built, equipped and owned by a consortium of private sector companies. But the CAA said the government's private finance initiative was an inappropriate way of funding air traffic control investment.

#### UK NEWS DIGEST

## Unions urge preparation for monetary union

Britain's Trades Union Congress is proposing a joint campaign with the Bank of England and the Confederation of British Industry to establish a national consensus on preparations for possible participation in European Economic and Monetary

Senior union leaders believe the UK cannot afford to stand aside from Emu in the hope that it will never happen, or that it will quickly fail. They will propose shortly that Mr John Monks, the TUC general secretary, Mr Eddie George, the governor of the Bank of England and Mr Adair Turner, the director-general of the CBI, join a task force to examine all the UK's options.

Union leaders are convinced that the Euro would help to prevent currency speculation and assist collective bargaining across the EU's labour markets.

Union leaders also believe the UK would face the danger of isolation if it decides to stay outside a common currency area. They argue that the UK committed itself at the EU Council in Madrid in December to accept a high degree of monetary convergence, whether it joins Emu or not.

However, the TUC is pressing for a commitment to full employment to be written into the new EU treaty that will emerge from this year's intergovernmental conference. Robert Taylor, Employment Editor

## Short-term contracts take hold

Workers employed on short-term contracts to meet sudden increases in demand are becoming an important part of UK industry as Japanese-style manufacturing techniques spread. A Financial Times study has revealed a 57.5 per cent-increase in five years in the numbers of manufacturing

employees on temporary contracts. These can be for as little as one day, though typically last from three to six months. The use of such workers has become critical to many manufacturers, which are switching to just-in-time working prac-

tices, in which stocks are minimised and companies turn out goods quickly to fill orders. Several companies - including the UK divisions of Black & Decker and Procter & Gamble – say temporary production workers have helped them improve competitiveness, especially:

Peter Morsh, London

## Insurers back quake coverage

in continental Europe.

London-based insurers, including Lloyd's, are providing a substantial chunk of reinsurance coverage for the California Earthquake Authority, a state-sponsored body set up to proset homeowners against a large-scale catastrophe.

Lloyd's non-marine insurers are providing some \$194m in capacity, and other London insurers are underwriting a further \$71m of cover. The contributions are part of \$2bn in cover being sort as part of a complex \$10.5bn reinsurance programme, providing different amounts of cover according to the severity of any incident. Mr David Rowland, Lloyd's chairman, recently met the project's instigator, Mr Chuck Quackenbush, the California insurance commissioner. Yesterday Mr Rowland said: "The market continues to be a world leader when it comes to finding solutions in some of the most difficult areas." Ralph Atkins, Insurance Correspondent

## Overseas sales shown declining

Fresh signs that export growth is weakening after the surges Fresh signs that export growth is weakening after the surges seen earlier in the recovery emerged yesterday in a business survey. A report by DHL, the express package service, and Gallup, the polling organisation, found that the proportion of companies reporting strong overseas sales fell slightly in the last quarter. Of the 1,000 companies surveyed at the end of 1995 only 54 per cent said that export expectations for the next three months were "good" or "excellent". Although this level is relatively healthy, it is the lowest since the end of 1993.

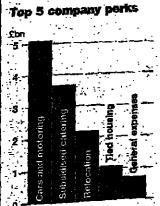
Gillian Tett, Economics Staff Gillian Tett, Economics Stoff

## Panasonic to create 100 jobs

Panasonic UK is to invest £40m (\$60.4m) in a new semi-auto-Panasonic UK is to invest £40m (\$60.4m) in a new semi-automated warehouse in Northampton, creating about 100 jobs. The company, a member of the Japanese Matsushita group, will buy 52 acres of an existing distribution estate shared with Coca Cola, GE Lighting and Black & Decker. The new warehouse will occupy 17 acres and the remainder will be available for expansion. Mr Michael Brooke, managing director of Panasonic Logistics, said that the warehouse would serve sonic Logistics, said that the warehouse would serve
Parasonic's distribution needs in the south and Midlands from
July next year.

Alan Cane London

## Cars 'most popular perk'



Company cars are Britain's most popular business perk, driven by almost 2m people at a cost of about £5.1bn (\$7.7bn) a year, according to a survey of employee benefits. Cars outrank company canteens as the most expensive benefit in kind, representing almost a third of the £16.2bn spent on perks in the 1994/95 tax year. Research by IFA Promotion, which represents more than 15,000 financial advisers, showed that the cost of benefits in kind was equivalent to 6 per cent of the UK's wage bill. Spending on employee benefits has more than

doubled in the past 10 years, rising by an estimated 260 per

#### Contracts COMPUTERS: Hoskyns, UK subsidiary of the French-base computer services CGS group, has won a \$2m (\$3.02m) contract to provide new logistics and financial systems to MoDo,

the paper manufacturer and distributor at its West Byfleet ADVERTISING: M&C Saatchi, Mr Maurice Saatchi's breakaway Solvertising agency, has been appointed by The Asprey Group. the luxury goods company, to take charge of its advertising. The total communications budget will be about £5m (\$9.06m)

## Tradepoint in Bloomberg link-up

Tradepoint Investment Exchange, the rival to the London Stock Exchange, said yesterday that it has signed an agreement with data and information provider Bloomberg which will allow those using Bloomberg's 55,000 terminals worldwide to execute trades in

UK shares. This means that traders and investors with Bloomberg screens can obtain direct access to the London market, bypassing intermediaries. About half of Bloomberg's screens are based in the US market where users prefer the type of dealing system used by

system operated by the London Stock Exchange. Bloomberg also has a significant presence in the Asian markets.

"That means we are getting global reach at no cost to ourselves," said Mr Stephen Wilson. Tradepoint's executive director. "There is no way we could build that global reach ourselves," he said.

Already, Mr Wilson said, Tradepoint's volumes are rising by about 20 per cent each month. The number of trades in January rose to 350 from 110 in October and by volume. turnover last month totalled £30m (\$45.3m), up from £9m in

minuscule relative to London stock exchange total turnover. Mr Wilson said the trend is indicative of users' growing comfort with the system.

For Bloomberg, which has agreed to invest in software for the venture, the move opens up the system to data from an alternative source. Mr Michael Bloomberg has so far largely resisted pressure from some subscribers to "open" the system so that competitors' data can be fed into Bloomberg screens and integrated into its

analytic packages. Tradepoint opened for business last October and offers an order-matching facility in

advertise firm prices at which they are prepared to deal in set lots of shares and dealing is conducted electronically. It is an alternative to the London Stock Exchange's quote-driven system on which market makers quote prices at which they will buy or sell large blocks of shares and investors negotiate deals by phone. However, many investors particularly foreign investors -

have complained that trading

costs in the UK are too high. The London stock exchange is currently considering how to expand its dealing system to include some order-matching

> world, even in some of the most demanding countries, from Australia to the USA. Recent examples of trust? The contract to provide water services to

Greater Buenos Aires was awarded to Lyonnaise des Eaux after an intensive international competition. This project has the support of the World Bank and achievement in the water industry. We have also signed a multi-project agreement with the EBRD to develop services and infrastructure in Central and Eastern Europe. And, last December, our takeover bid for the key British water company. Northumbrian Water, was approved by

This is what we are implementing. This is how we are striving to make our Group exemplary. This is how we give pride to our 140,000 staff members. This is how we gain the trust of our shareholders and our customers.

British authorities.

Annual report and Code of ethics available on request: fax (33) 1 46 95 55 84.



For more than a century, Lyonnaise des Eaux has provided its expertise in environmental services - water supply, distribution and treatment, waste management, energy supply - and in the construction field. The Group operates in more than a hundred countries worldwide and in 1994 generated \$20 billion in revenues.

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## North Sea platform operators seek cost savings

By Robert Corzine

Regional operators of North Sea oil and gas platforms may emerge in future as a result of attempts to cut costs in the offshore oil industry.

Operating costs could be cut substantially, speakers at an industry conference in London yesterday suggested, if there were fewer operators in specific sections of the North

Under the present system there can be a large number of platform operators within a fairly small area.

But Mr Graham Hearne, head of there will need to be further new projects by 30 per cent. Capital Enterprise Oil, one of the UK's largest independent explorers, said that the industry should consider "area agreements where one or two companies do all the operating across swathes of blocks".

At present co-operation among operators of nearby fields is confined to the sharing of helicopters or supply boats. Any move to a single operator in an area would be a radical departure from current practice, say industry experts.

But most oil executives agree

improvements in the cost structure of the North Sea to maintain its competitiveness as international of companies become increasingly selective as to where they will

The competitiveness of the North Sea has been boosted in recent years, in part because of an industry-wide initiative known as "cost reduction in the new era", or Crine. But the Crine initiative, which began three years ago, has focused

only on lowering the capital cost of

savings have also been made as a result of partnership arrangements, under which contractors bear some of the financial risk in exchange for sharing in any financial benefits if projects are completed under budget or ahead of a deadline.

Yesterday delegates considered whether Crine, which was the first such industry-wide cost reduction initiative in the UK, should be extended. They said the prospect of relatively soft oil prices for some time to come suggested that cost

reduction drives be enlarged to include exploration and appraisal of undeveloped fields and the long-term production phase of fields, including their eventual decommissioning

Mr John Wils of BHP, the Australian oil company, said the Crine programme was a "valuable initiative reaching the end of its shelf life". Nothing "should be outside the remit" of its replacement, he said.

Some delegates expressed concern, however, that the increasingly close relationship between big North Sea

main suppliers and contractors was stifling innovation.

Mr John d'Ancona, a spokesman for smaller companies in the sector, said the international competitiveness of Britain's offshore supply industry could suffer as a result of the "arid philosophy of partnering"

between the big companies.

Delegates said an industry fund might be created to ensure that money was available to allow innovative ideas from small companies to be developed into products for the offshore industry.

## **Pressure** grows to increase MPs' pay

The campaign to boost the pay of Britain's MPs gathered momentum last night as several ministers expressed support for a call from more than half the total number of backbenchers for an independent review of salary levels:

Although a Commons motion, signed by 291 MPs, asked the Nolan committee to look into the question and report back by April 30, several suggested it would be bet-ter assigned to another panel such as the senior salaries

review body. The opposition Labour party leadership expressed concern at what it said was a Tory campaign to distort the motion, linking the demand for an independent assessment with calls by some MPs for a doubling of their pay.

Lord Noisn, whose report on political impropriety last year has led to restrictions on MPs' outside earnings, said it was for the prime minister to change the remit of his com-

mittee to look into pay.

The current pay for MPs of 234,000 is well below most Western equivalents, although they are given generous office allowances and subsistence. Other devices to top up pay include using spouses as secre-taries and driving long distances to and from constituencies to earn mileage.

Previously MPs voted each year on pay and such was the embarrassment that the session was usually held late at nieht.

Many MPs, especially Tories, believe their official earnings are so demeaning that they are deterring talented newcomers from joining. They argue that salaries have remained static over the past 30 years whereas average wages in real terms have gone up by 80 per cent.

Some 52 Conservatives have already announced that they are standing down at the next election, some making clear their need to make up for lost time by taking jobs in the

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## Dutch bank plans new City HQ

The president of Britain's National Farmers' Union yesterday attacked Mr Douglas Hogg, the agriculture minister. for calling for cuts in farm subsidies, as government figures showed farm incomes jumped last year to their highest for 20

Sir David Naish said the government "should be pleased we have a strong agriculture and that we are competitive - and not deprecate it".

Mr Hogg revealed in a letter in yesterday's Financial Times that he had written to Mr Franz Fischler, the EU's agriculture commissioner, saying arable farmers had enjoyed "massive overcompensation" because EU market prices had fallen by less than expected at the time of the price-cutting reforms of the Common Agricultural Policy in 1992.

"I very much hope he will recommend the Agriculture Council to reduce the payment rates," wrote Mr Hogg.

Sir David, vigorously defending the 29 per cent real rise in farmers' incomes last year. said Mr Hogg was pressing the UK objective of further CAP reform without considering the interests of the other 14 member states.

"Refore he starts writing those sort of letters, he really ought to see what the effect in the strong currency countries has been, where they haven't had an effective 30 per cent devaluation of the pound," said

Jy 574,000,000

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Relief may be at hand for consumers fed up with the taste of milk substitutes and conventional heat-treated milks, Deborah Hargreaves

Farmers' leader raps

minister on CAP cash

Milk Marque, the farmers' dairy co-operative, bas developed a process for treating fresh milk, which it says preserves the taste and freshness for up to 28 days.

Passengers aboard Britain's main airlines have been able to enjoy the extended-life milk with their morning cornflakes since October, following the launch of the product. The airline British Midland is planning to use the milk for all its tea and coffee in the next few

The Milk Marque process dent of Copa, the umbrella

European farmers' body. The agriculture ministry said farmers' incomes rose by £1bn last year to just above £4bn. Total income from farm-

heats the milk to 120 degrees Celsius for a few seconds. At that temperature most bacteria are killed but the taste is not impaired, as it can be in ultra-heat-treated (UHT) milk which is heated to 140 degrees.

The milk is then packed into sterile boxes, which means it can be kept longer than pasteurised milk, where the containers are clean but not sterile. Unlike UHT milk, it has to

be kept in the refrigerator. Since October Farm Produce Marketing, a small company set up three years ago on a Cheshire dairy farm, has been marketing the extended-life milk to airlines.

It is being offered on breakfast flights as "Milk from Cheshire" in 125ml boxes.

Only the poultry sector showed a significant fall, because of the increased cost of cereal-based feed and lower output prices.

ABN Amro, the Dutch banking group, plans to build a new ever, the bank said that its total investment, before fittinginvestment banking headquarout the interior of the building, ters at Spitalfields, the site of was likely to amount to £90m. the former fruit market on the The 280,000 sq ft office block will be one of the largest con-struction projects undertaken north-eastern edge of the City of London. The decision will have been in the City. Last year Deutsche

the City would strongly

The bank currently occupies three sites in the City, includ-

ing two in Broadgate which

house Hoare Govett, the stock-

site is also owned by the Cor-

poration of London.

in addition to Canary Whatf.

broker it acquired in 1992.

enhance our business.'

a relief for the Corporation of London, the City's local authority, which has been campaigning to stop financial sector companies relocating to Canary Wharf, the large office development in docklands.

The new steel and glass

structure will mark the first phase of the planned rebuilding of Spitalfields – which has been earmarked for redevelopment for more than a decade." The site is owned by a consortium comprising BICC, the engineering and construction group, Costain, the construction company and SPP, the Swedish investment institution. Costain and Balfour Beatty, a subsidiary of BICC, have been awarded the £50m

(\$75.5m) construction contract. Spitalfields is only yards away from the Broadgate office development, which houses many of the City's most impor-

Unusually, the corporation has agreed to sell its freehold interest in part of the Spitalfields site to ABN Amro. The Dutch bank was keen to own both the building and the site. Mr Michael Cassidy, the chairman of the corporation's

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Morgan Grenfell, the investment banking arm of Germany's largest bank, opted to build an equally large headquarters in the Square Mile rather than move to Canary Wharf. Earlier this month, however Barclays de Zoete Wedd, the investment banking arm of Barclays, said it would move all of its City-based staff to Canary Wharf. Other large financial sector tenants in the docklands include Morgan Stanley, the US bank. Mr Louis de Bièvre, head of ABN's investment banking business, said: "The view was that a continued presence in

ABN considered building a headquarters on the site of the former Mirror Group offices at Holborn Circus, to the west of the City. The freehold of this

The Spitalfields building will be able to accommodate 2500 Going up: The planned ABN Ambro building in Spitalfields staff, compared with ABN's current London staff of about 1,000. Mr de Bièvre said that ABN may expand its investwithout us making an acquisi-tion of some kind," he said. The developers will build 118

"There is nothing on the drawing board but hardly a fund other local improvements year has gone by in London as part of a package agreed with the local authority.

Simon London | Civ.

#### Sir David said more than 70 ing, which includes payments per cent of last year's increase tant financial sector tenants. in incomes came from higher market prices. "We're getting to partners, directors and family workers as well as farmers nearer to world prices, and and their spouses, rose 22 per cent to £5bn. that must be the way the Mr Hogg said this was the industry is driven." fourth successive increase in He insisted that farm total income, taking it back incomes were recovering from above the level of the early very low levels in the late 1980s in real terms. 1980s and early 1990s. policy and resources commit-"I'm not in the least Cereal farmers fared best. tee, said the arrangement was ashamed that the industry is a sign of how far the corporabenefiting from high market now making sensible profits prices and increased compensation was prepared to go to keep The price ABN is paying for the site was not revealed. Howause it's reinvesting them important tenants close to the tion payments. Pig farmers' in the countryside, and in incomes recovered as prices plant and equipment to keep us competitive," be said. rose from the depressed levels Sir David, who is also presiof recent years. YOUR PASSAGE TO INDIA

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Germany and a Portuguese Line of Credit of US\$ 15mn. was in place from 7th April 1995.

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Pursuant to Section 602 of the Indenture (the "Indenture"; capitalascribed to them in the Indenture) dated as of January 1, 1981 between Anacomp International N.V., as Issuer, Anacomp, Inc., as Guarantor and IBI Schroder Bank & Trust Company, as Successor Trustee pursuant to which the 9% Convertible Subordinated Debentures Due January 15, 1996 of Anacomp International N.V. were issued, you are hereby notified that Events of Default have occurred and are continuing by virtue of (i) the filing by the Company and the Guarantor on January 5, 1996 of voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code and (ii) the default in the payment

of the principal of the Debentures at their Maturity.

Inquiries concerning this notice should be directed to either Nancy

R. Bessé, Vice President (212) 858-2235, or Thomas J. Bogert, Assistant Vice President (212) 858-2736, Facsimile No. (212) 858-2952, IBJ Schroder Bank & Trust Company, One State Street, New York, New York 10004.

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The Financial Times plans to publish a Survey on

There have been some momentous changes in the country recently and the survey will cover the implications and the prospects for democracy, the economy in 1996 and beyond.

on Wednesday, March 27

Other articles will cover the Banking system, foreign investment, the motor industry, the steel industry, the energy sector, privatisation, telecommunications and tourism. The survey will be distributed with the FT on that day and read by leading decision-makers in over 160 countries worldwide.

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## **CONTRACTS & TENDERS**

INVITATION TO TEMPER MAKAGEMENT INFORMATION SYSTEMS FOR BTC Ltd.

The Bulgarian Telecommunications Company Ltd. (BTC) has secured financing towards the cost of a 'Data ssing Infrastructure and Management Information Systems for BTC" and a "Digital Microwave Radio Network" through a loan of USD 30 millions from the IBRD (the World Bank).

It is intended that part of the proceeds of this loan will be applied to eligible payments under contracts for Corporate Data Processing Infrastructure, Management Information System and Financial Management System.

The main elements of the Bid Package are: Hardware and Software for BTC's Data Processing Intrastructure

MIS Tool RDBMS for MIS

Application UNIX Servers

PC-Servers

Terminals and Communication Network Products Financial Management System

BTC Ltd. now invites sealed Bids from eligible Bidders for the supply, installation and test hardware and software, and provide consultancy and training services. A complete set of Bidding Documents can be purchased upon payment of a nonrefundable fee of 350 USD (or equivalent) at the office

stated below: Bulgarian Telecommunications Company Ltd. 8,Tošeben Blvd., room N 621, 1606 Sofia, Bulgaria, Mr. B.Sokolov, Director "Information Technologies" Tel: (+359 2) 951 6623, Fax: (+359 2) 492 0022, Teles: 24 199

Bidding will be conducted through International competative bidding procedure under the Guidelines for Procurement of the World Bank.

All Bids must be accompanied by a Bid Security of 2% of the Bid amount. For clarification of this Project, a Pre-Bid conference for registered bidders will be held by BTC in Sofia at 10:00 a.m. local time on 8 March 1996.

## **LEGAL NOTICES**

COURT OF ROME **BANKRUPTCY SECTION** 

Bankruptcy so. 52748 of Immobiliare Francesca '81 s.r.l. At 12.30pm on 19.02.1996 the Official Receiver Dott.ssa De Virgilis is to sell small building in Montalcino (Siena, Italy). Base price Lit. 536,000,000 and Lit. 15,000,000 for the furniture, 25% deposit by 1pm on 16.02.1996. Receiver Tel. +39 774 608677/608765



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FINANCIAL TIMES THURSDAY FEBRUARY 1 1996

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Solar

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study

ater this month the Western Space and Missile 2 Centre in California will

launch a mission to study the

earth's atmosphere.

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For three years, the US Polar

wind - the high energy particles emitted by the sun - above the

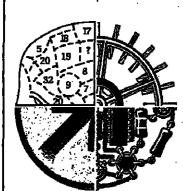
atmosphere. The spacecraft will travel in an orbit between 11,000km and 57,000km from the

satellite will study the solar

polar regions in the upper

Children Charles

## Worth Watching · Vanessa Houlder



#### New colour for fire-free resin

Plastics made of phenolic resins have superb fire retardant qualities. The drawback has been the difficulty of disguising their unattractive sludge brown colour without compromising

performance. BP Chemicals has developed a method of colouring phenolic resins which it believes will open up many new applications. Its Cellobond Fibre Reinforced Plastic Colour is already being used for moulded panels on new London Underground trains. In fire tests it outperformed other

matrix resins.

BP Chemicals, UK, tel (0)1446 731000; fax (0)1446 731245.

#### **Tourist spots shoot** own holiday snaps

The holiday photos sold at tourist spots are going digital. Kodak is marketing a photo print system to the owners and operators of tourist attractions.

The system uses no chemicals. It has a digital camera to shoot the picture, a touch-screen monitor to preview the image on screen and a printer. The purchaser can make corrections to the colour and contrast before printing out the picture.

The system, which takes up to 60 pictures and 34 images over an hour, costs £15,995 plus VAT. Kodak: UK, tel (0)1442 61122: fax (0)1442 845113.

#### Suspect parcels kept in safe boxes

The delivery of a suspicious-looking parcel can cause enormous disruption to an organisation, even if it eventually proves to be entirely innocent. Aigis, a Derby-based company that specialises in blast protection equipment, has designed a 'suspect device isolation unit" -

a safe-like box into which the suspect package can be locked and moved elsewhere to be examined or defused.

If the bomb explodes, the device greatly reduces the force of the blast. The box is lined with a porous, resin-bonded aggregate material which inhibits the passage of the shock wave by breaking down as it absorbs some of the blast energy.

The material is also used to protect off-road vehicles and trucks against landmines and to protect rooms containing sensitive apparatus such as computers against explosions

Aigis: UK, tel (0)1335 370960; fax (0)1335 370947.

#### Best drug cocktail yet for fighting HIV

Researchers from Merck, the US pharmaceutical company, have released encouraging evidence for the effectiveness of triple drug combinations in fighting HIV, the Aids virus, writes Clive Cookson. A mixture of two licensed Aids nedicines from Glaxo Wellcome of the UK - AZT and 3TC - with Merck's experimental drug, indinavir, reduced levels of HIV to undetectable levels after four months treatment, in 24 out of 28 patients studied. Other combinations achieved good but

less spectacular results. Yesterday Merck applied to the **US Food & Drug Administration** for a drug licence for indinavir. It is likely to be the second of a new class of Aids drugs called protease inhibitors to reach the market. The first, Roche's saquinavir, was approved in the

Merck: US, tel 215 652 5000.

#### Hot moulding for thermoplastics

German researchers have developed a "hot moulding technique for moulding thermoplastics, which they believe is simpler and cheaper than injection moulding.

The technique involves mixing ceramic powder with waxes and paraffins that melt at low temperatures. It is then warmed slightly and pressed into the mould at low pressure. After it has hardened, the binding agent is removed by evaporation. It is then fired at high temperatures. Fraunhofer Institute for Ceramic

Technologies: Germany: tel

3512553539; fax 3512553600.

"I love my Mac," says Melanie King, a Silicon Valley software industry executive. "God, I hope that Apple survives!" Amid reports of Apple Computer's mounting problems and a possible takeover bid for the personal computer industry pioneer, King frets about what all this may mean for her "cool" Macintosh com-

Her concerns are common among Maciniosh users. Apple boasts the most loyal customers in the personal computer industry, but their faith is being put to the test by the uncertainties surrounding the company's future.

"Will the Macintosh be orphaned," they ask. In online discussion groups Mac fans express their fears of an Apple takeover: "It just would not be Apple," says one. "I think Sun [Microsystems] would ditch the Mac," warns another in response to reports that the computer workstation manufacturer is in talks with Apple. Then comes the critical question: "Given all of the uncertainties, should I buy a new Macintosh?

For computer buyers in search of a bargain, the answer may be yes. Apple's lower than expected sales in the quarter leading up to Christmas have left the company with \$1.9hn (\$1.2hn) of stocks, much of it in lowend Macintosh PCs which are now expected to be offered at steeply dis-

Apple's widely acclaimed Macintosh software, the company's reputation for quality products, and the prospects of price cuts make the Apple Macintosh an attractive purchase. But will Apple customers be able to obtain service, parts and software for a Macintosh computer they buy today if the company fal-

Despite all of its problems, Apple is not going to disappear overnight. The company remains the world's third largest PC manufacturer, after Compaq Computer and Interna-tional Business Machines, with sales of \$11.1bn in its last fiscal year, ended September 30.

Moreover, with close to 22m Macintosh users worldwide and thou-sands of Macintosh retailers and consultants, it is highly unlikely that Apple will leave its customers without technical support or service, analysts say.

"The risk of Apple going out of

business and leaving no one to support its products is almost zero," says Pieter Hartsook, editor of the Hartsook Letter, a computer industry newsletter. Even if Apple is acquired by

another computer company, the chances of today's Macintosh users being abandoned are remote. Apple's most valuable asset is its brand name - it is the most widely recognised PC manufacturer worldwide - so any buyer of the company can be expected to defend Apple's



## Will Mac be orphaned?

Apple has the most loyal customers in the industry, says Louise Kehoe, but its future is uncertain

only to preserve the value of its

However, the continuing support of the Macintosh by software applications developers is less certain. Apple claims there are 1,400 "native" applications programs available for its latest Power Macintosh models, based on the PowerPC microprocessor chip jointly devel-

oped by Apple, Motorola and IBM. Many more Macintosh application programs are under development, Apple says. Increasingly, however, software developers are giving pri-ority to programs for standard PCs based on Intel microprocessor chips and Microsoft's Windows PC operating system software which account for more than 90 per cent of world

One of Apple's biggest challenges now is to maintain the support of these software developers. Without them, the Macintosh could become the PC industry's equivalent of a

reputation among its customers, if Betamax, Sony's "non-standard" video tape player for which the sup-ply of new recordings ran dry. Corporate and college buyers of

the Apple Macintosh face greater rate sales are believed to have risks. Many have invested heavily in special purpose software for the computers. Others have installed computer networks to link desktop Apple products.

The Gartner Group, a US market research firm, has recom-mended that its corporate cli-ents "buy with caution" if they already own Macintosh computers. However, new Macintosh buyers should evaluate purchases carefully, industry analysis say.

Already, however, there are signs that some of Apple's customers are switching to competing products. "We have picked up some Apple defectors," says Ted Waitt, chairman and chief executive of Gateway 2000, the fifth largest US PC mann-

Large Macintosh orders from at least two US school districts have been put on hold, competitors say. In Europe, similarly, Apple's corposlowed over the past few days.

Meanwhile Apple's efforts to stem the tide are tinged with irony. In his open letter to Apple customers, published in several newspapers, Michael Spindler, chief executive, invokes an old Apple theme: "Apple Long-time Apple observers may

recall, however, similar incanta-tions when the old Apple II product line was being phased out a decade ago. At that time Apple adopted the motto "Apple II forever" to reassure users that the Macintosh would not make their computers obsolete.

The Apple II is long since gone and so is much of the euphoria that surrounded the launch of Apple's

Macintosh in 1984. Nothing it.

seems, is forever, perhaps not even

11.00% and 50.00% from the sardist birough temperatures of up to 2500°C and through wind specification, exceed hundreds of metric per second.

Scientist birough this work will produce new assigns into solar storms, which release particles and redistron that from are the cartia. These storms create the curtains of light known as the Northean and Southern lights. Northern and Southern lights, cause damage to the electronics on spacecraft and can disrupt sadio communications and Dower supplies on earth. In 1989, for example, fluctuating magnetic fields caused by an explosion on the sun blacked out power across Quebec. The instruments on the spacecraft will allow scientists to

determine which of the energetic particles are part of the solar wind and which originate in the earth's ionosphere. The instruments can distinguish oxygen ions from the solar wind since they are much more highly charged than the ions produced

in the lonosphere. The results of the Polar mission will be compared with results from the European Space Agency's four Cluster spacecraft (which will be launched this summer) and with ground-based observations made by the British Antarctic Survey. The survey is currently setting up instruments in Antarctica that will take continuous measurements to complement those of the Polar

The Polar satellite is part of the International Solar-Terrestrial Physics programme which is investigating how the sun and earth interact.

Vanessa Houlder

This announcement appears as a matter of record only

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Opera

Samson

et Dalila

new productions. Two have

already gone this season.

including Massenet's rarely-

performed Hérodiade, a grand

opera that combines sex and

religion to sensual music reek-

ing of a perfume that could

Saint-Saëns's Samson et Dal-

ila meets most of that descrip-

tion too, which is probably

why it was brought in as the

replacement. The biblical setting, sultry Mid-Eastern after-

noons where the sun beats

down and the air hangs heavy,

is very nearly identical

ironic really, as the official reason why the Massenet was

cancelled was that the sets

Sidney Nolan's designs for the Saint-Saëns remain both

one of the most visually

inspiring Royal Opera stag-

ings from the 1980s and the most familiar. Nolan's use of

colour is an object-lesson in

creating atmosphere from a

broad brush-stroke, even if the

flooding of the deep red spot-light at this revival rather

His voice is bright, strong when needed, well-focused, a

promising Italianate tenor

which is sounding better with

washes away his subtleties.

from Vienna did not fit.

only be French.

s the financial cuts

bite, the Royal Opera will presumably Laresort to cancelling

FATHER OF THE BRIDE PART II (PG) Charles Shyer and Nancy Meyers

laude Lelouch's Les Miserables and Valerii Todorovsky's Katia Ismailava are both based on texts so regularly adapted before that we marvel there is anything left to adapt. Les Mis has been a book, a play, ten movies and a musical Nikolai Leskov's story The Lady Macbeth Of The Misensk District, which inspired Todorovsky's updated drama of passion and murder, has given us three films and a Shostakovich opera

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In Hollywood they would refer to the two Ms. Mis and Mtsensk, as "franchises": properties so productive that they spawn sequels and megadollars. Europe usually likes to be above such vulgar thinking, but Lelouch's Victor Hugo transposition, as one discovers over three hours, is not really above anything. The onetime director of Un Homme Et Une Femme, which reprocessed the French New Wave into pink-tinted surf for Anouk Aimée and Jean-Louis Trintignant as the slow-motion lovers, turns Hugo's tale into star-packed, passion-packed epic. Proving its transatlantic appeal, the movie won the Golden Globe award for best foreign film.

On this side of the ocean, filmgoers may be more sceptical. Lelouch takes Hugo's Valjean, the exconvict who trod his times becoming avenger, reconciler and man of wealth, and transports him to the 20th century to split him in two. Jean-Paul Belmondo plays Henri Fortin pere, who dies in jail after being interned for a crime he never committed, while Belmondo also plays his son, by turn a boxer, removal driver and soldier of fortune

in the second world war. Fortin junior aids both the Nazis and the Resistance and is on hand to help the Normandy landings. He spends his few peaceful hours reading and re-imagining Les Mis - dramatised in gobbits by Lelouch with Belmondo tripling as Valjean while we are invited to note the parallels between then and now. The veteran French star's bruised magnetism and monkeyish grin, swirled about by the music of Francis Un Homme Et Une Femme Lai, do more than anything give the film weight

**ARTS** 



Jean-Paul Belmondo (far right), a human force-field in Claude Lelouch's updated version of 'Les Misérables', set in the 20th century

Cinema/Nigel Andrews

## Jump on the classic bandwagon

and depth. He creates a human force-field where none is really provided by the script or direction.

The film's secondary plot concerns a Fortin-assisted Jewish couple (Michel Boujenah, Alessandra Martines) who are harassed and divided by the Nazi persecution. She goes to Auschwitz while he is sheltered by a greedy farming couple, played with pantomime relish by Annie Girardot and Philippe Leotard.

In both cases we suspect that a happy ending will be engineered. For here as in previous Lelouch-works with a sweeping time span - Toute Une Vie, Partir Revenir - history and suffering end up as little more than different centres in the great chocolate-box assortment of Life. However crunchy some scenes or setbacks, the consumer is never in danger of cracking a tooth, let alone

Lelouch updated the novel, he says, in the belief that the 20th century's "miseries" are a match for those of the 18th or 19th. No quarrel with that. But even Hugo, with his tendency to favour melodrama over tragedy, never reduced human suf-fering to quite so relentless a series of picture-pretty tableaux - even Pa Fortin's snowbound jail resembles a Christmas card - and manipulative sentimental frissons.

Katia Ismailova stands back to let passion and murder speak for themselves. The heroine, played as an enigma with variations by the palely beautiful Ingeborga Dapkounaite, causes four deaths among her nearest and dearest. A stroke is assisted by her failure to fetch pills. A violent murder is committed while she stands by and abets. Two deaths by drowning wind up the final reel.

Bravely, the director yields us no ready check-list of her motives and emotions. Does she love her husband (Aleksandr Feklistov)? Does she love or respect his novelist mother (Alusa Freindlikh), whose works she

thumps out on a noisy typewriter? Probably not. Even her romance with the handsome, stubble-jawed carpenter (Vladimir Mashkov) who is working on her mother-in-law's dacha is presented as the exact opposite of "falling in love": more a rising in lust. Inflamed at her work table by his first nuzzling half-kiss, she raises her rapture-stiffened body to sit on the open window sill's edge. where with sharp breath and closed eyes he completes his attentions.

At times the gnomic tone is frustrating. Some emphasis and inflection might have helped, in sharpening the other characters' outlines if not the invsterious Katia's. The film. like the dacha, feels barely furnished. And when Todorovsky throws in some token wreaths of Gothic mist for a midnight burial scene, we giggle at the incongruity. Out of Russian existentialism into Hammer horror? A movie which dares to portray affectlessness should not surrender to cheap effect; though it might do more elsewhere to find its own metaphorical language for the voids it explores in human feeling.

Father Of The Bride Part II ends the week in a blaze of winsome clarity, sans subtitles or subtleties. Steve Martin and Diane Keaton still live in that white house on Wedding Cake Avenue, USA, Daughter Annie (Kimberley Williams), who took so long to get married in part one, takes even longer to have her first child in part two. Keaton herself gets sympathetically pregnant. And that crazy party-catering fellow Frank - pro-nounced Frank - is still played by Martin Short with buffa accent, bouffant hair and dialogue that it may be a mercy we cannot understand.

We understand everyone else's. It runs to tooth-rotting stuff like "Ohh Mohhm", "Ohh Daahhd", "Ohh Annie" and "Dr Eisenberg, these women are my life!" (Steve Martin to hospital midwife).

No wonder Martin at another point exclaims, "Hey, what are we, the Schmaltz family?" Yes, in a word. And your adoptive writer-directors Charles Shyer and Nancy Meyers need to spend several months at the de-tosh clinic before giving us the next instalment in this

Chances of brain-survival are brighter at the Barbican or National Film Theatre. The first mounts a season of new Australian cinema, showing that there is more in that country where The Piano, Strictly Ballroom and Priscilla Queen Of The Desert came from. And the NFT launches a welcome, month-long season devoted to women directors. As so much man-directed American cinema is subsiding giggling into the Pacific as we speak, it may be time we gave a bigger chance to talents -on show here - like Kathryn Bigelow (Strange Days), Rose Troche (Go Fish) and Darnell Martin (I Like It

The opera depends almost wholly on its leading couple and it helps if Samson can be a tower of strength, metaphorically at least. The Argentinian tenor José Cura threw himself into the scenes of humiliation at the end with reckless aban-don and from a distance looks a bit like Sylvester Stallone, so Disney confetti saga. his hare-banded destruction of the temple carried conviction.

> each role he sings. What it lacks is depth of tone in softer, lyrical passages, though he found one answer to that when he uttered a tenderly muffled "Je t'aime" with his nose buried in Dalila's bosom. Dolora Zajick, who was announced for the role, has withdrawn due to illness and her place has been taken by the Greek mezzo Markella Hatziano. Deep and dignified of voice, she makes a Dalila who is regally self-composed, confident of getting Samson's locks wound round her little finger. In the first act she gives the impression of keeping a tiger of a voice locked in its cage. In Dalila's big second act she lets it out occasionally to magnifi-

> > inside the character. There was not much crackle of sexual energy between the two of them in the love duet and the conductor, Jacques Delacote, might have helped by speeding the music along a little. Elsewhere, his elegant blend of orchestral sonorities brings a stylish Gallic input to the performance. Gregory Yurisich delivers the High Priest's curses with unstinting strength. Robert Lloyd brings sensitivity to the French style and language in the role of the old Hebrew. In sum, the revival is good enough for the many empty seats at the first night to be filled later.

cent effect (the sound is grand

unhuried, rich in colour), but

still husbands her resources

carefully. For all the sense of

latent power, there is not

much electricity being created

Richard Fairman

Further performances until February 15.

Theatre/Alastair Macaulay

## Déjà vu in 'Les Enfants du Paradis'

nould you make a play of a classic film? The Royal Shakespeare Company's new staging of Les Enfants du Paradis involves a hefty amount of hubris, for, at almost every moment, it aminds us of the much-loved 1945 French film, directed by Marcel Carné and written by Jacques Prévert. At four hours, this stage version is too long. Some of its casting and staging do not work. Nonetheless, most of the time the play reminds you happily of the film. Better, it probably works delightfully for those who do not know the film. Best, it occasionally exerts a life of its own powerful enough to help even those of us who have seen the film a few times to suspend our

Les Enfants du Paradis is the quintessence of high romance. Set in the Paris of 1820-40 that Balzac often penned, it is about the overlapping loves of folk who work in various forms of theatre. Garance - a Bohe-mian beauty with her own sure sense of honour, very much like Esmeralda in Hugo's Notre Dame de Paris - is loved by four wholly dissimilar men, two of whom are prepared to kill to remove a rival. Baptiste Duburau is the lovelorn and transcendentally expressive Pierrot who loves her and whom she loves; but fate sunders them, time and

Simon Callow, who has adapted and directed this version, quite rightly emphasises its staginess. Stagehands are visible, sometimes manipulating onstage spotlights. Robin Don has designed a hollow three-storey framework - turning and tilting on its raked stage like the revolving set of Pisa - which is transformed into a theatre, a bedroom, a different theatre, a dressing-room, a cafe ... Christopher Woods's costumes exquisitely reproduce the look of each character from the film, and include a thrilling ruby gown which Garance wears on her return to Paris after eight years. Callow's English text is sometimes too prosaic (Frederick's signature line about Paris and lovers is, in French, an Alexandrine) and sometimes

John White has composed some excellent "busy" music for certain scene-changes, and the Garance-Bap-tiste affair is characterised by music reminiscent of the best part of the lovers' music in Kachaturian's Spartacus. Other passages, however, are anachronistic (a tango in the café) or woefully intrusive.

Three performances are, in contrasting ways, entrancing. Helen McCrory has never been more beautiful than as Garance; and she finds a telling combination of dignity and Bohemian directness. Joseph Fiennes is marvellously theatrical as the sly and sardonic assassin Lacenaire. And James Purefov as the actor Frederick Lemaître creates a debonair actorly charm that in no way apes Pierre Brasseur's. The production, by the way, is dedicated by the RSC to the memory of Robert Step-hens, "the Frederick Lemattre of his

Who could efface memories of Jean Louis Barrault as Baptiste? Rupert Graves's stubborn and ambitious naughty boy with South London vowels will not do. He has not the high-Romantic intensity of feel-

ing that is Baptiste's. At the end ~ where in the movie Baptiste seems to die of suffocation and despair amid the crowd, like Petrushka Graves is lifted by the carnival revellers as he yells "Garance!" lustily, several times. (Photographs of her face are blown up behind him: a bad mistake.) To make matters worse, Sylvestra Le Touzel, a sometimes excellent actress who here reverts to a most hammy pushiness, wholly misses the delicacy of feeling of Baptiste's wife Nathalie in her final scene. And it is Maria Casarès in this role that I miss most from the

Several of the small roles are missed too, but Maggie Wells as Mme Hermine and James Faulkner as Avril make strong, funny, impressions. Perhaps cuts should be made but in truth I regretted the few that have been made. In a Nicholas Nickleby sort of way, this anglicised Les Enfants du Paradis is vivid theatre. Its plunge into romance is a rare

In repertory at the Barbican Theatre until March 16 (0171-638 8891).



# INTERNATIONAL

## AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-5730573 Gustav Leonhardt: the harpsichord-player/organist performs works by Purcell, Gibbons, Tomkins, Locke, Blow, Croft and Randall; 8.15pm; Feb 5 Schoenberg Kwartet: with baritone Romain Bischoff perform Schoeck's Notturno, Hindemith's String Quartet No.3 and Shostakovich's String Quartet No.11 in F minor, Op.22; 8.15pm; Feb 3

## ■ BERLIN

CONCERT Staatsoper unter den Linden Tel: 49-30-2082861 L'Opera seria: by Gassmann. Conducted by René Jacobs and performed by the Staatsoper unter den Linden. Soloists include Laura Alkin, Dorothea Roschmann, Bernd Zettisch and Klaus Häger, 7pm: Feb Conteche Oper Tel: 49-30-202600

 The Legend of Tsar Saltan: by Rimsky-Korsakov. Conducted by Michail Jurowski and performed by the Komische Oper Berlin. Soloists include Passow, Bach-Röhr and Stemberger, 6pm; Feb 3, 4 (11am)

#### BOLOGNA CONCERT

Teatro Comunale di Bologna Tel: 39-51-529999 Mzia Simonishvili: the planist performs Beethoven's Sonata Op.31 No.2, Liszt's Mephisto Watzer, Mozart's Fantasia KV 397 and Prokofiev's Sonata No.2 Op.14; 9pm; Feb 5

#### CANBERRA EXHIBITION

National Gallery of Australia Tel: 61-6-240-6411 The Vision of Kings: Art and Experience in India: exhibition of sculptures, paintings and other related works of art created over a period of 2,000 years for Hindu, Buddhist, Jain and Muslim patrons Central to the creation of art in India was the vision of the kings who were the main (though not exclusive) patrons of Indian art until the modern period. The display includes some 100 works from Indian. Australian, European and American collections; to Feb 4

## CHICAGO

EXHIBITION Museum of Contemporary Art Tel: 1-312-280-2660 Andres Serrano: Works 1983-1993: the first major mid-career retrospective of

Serrano's large-scale Cibachrome photographs, featuring more than 50 works created during the last 10 vears. Serrano's work often examines controversial subjects such as religion, racism homelessness and death; to Feb 4

#### ■ COPENHAGEN DANCE

Det Kongelige Teater Tel: 45-33 14 10 02 • The Sleeping Beauty: a choreography by Petipa/Tomasson to music by Tchaikovsky, performed by the Royal Danish Ballet. Soloists include Silja Schandorff and Aage Thordal Christensen (Feb 1, 3), and Caroline Cavallo and Jean-Lucien Massot (Feb 8, 10, 12); 8pm; Feb 1, 3. 8. 10, 12

#### **DUBLIN** EXHIBITION

irish Museum of Modern Art Tel: 353-1-6718666 Images of Solidarity Re-examined: this exhibition sets out to examine the question of how photographic images communicate and how the context in which they are placed influences that communication. The display is based on a set of photographs taken by Irish people on work brigades in Nicaragua in the late 1980s and on public reaction to them when they were originally exhibited in 1991. The exhibition begins with the original images and then takes the viewer through a series of installations which reveal how the preconcieved ideas of both the photographer and the viewer condition the reading and, ultimately,

## the meaning of the work; to Feb 4

#### DUSSELDORF CONCERT

Tonhalle Düsseldori Tel: 49-211-8992081 Royal Philharmonic Orchestra: with conductor Dirk Joeres perform works by Gade, R. Schumann and Brahms; 8pm; Feb 3

## HANOVER

EXHIBITION **Sprengel Museum** Tel: 49-511-1683875 Altan McCollum; Natural Copies:

exhibition of more than 800 objects created and collected by Allan McCollum for his projects The Dog from Pompei, Lost Objects, and Natural Copies from the Coal Mines of Central Utah; to Feb 4

## **LONDON**

**OPERA** London Coliseum Tel: 44-171-8360111 Les Pécheurs de Perles: by Bizet (in English). Conducted by Emmanuel Joel (Feb 3) and Michael Lloyd (Feb 7) and performed by the English National Opera. Soloists include John Hudson, Elizabeth Woollett, Michael Lewis and Mark Richardson; 6.30pm; Feb 3, 7 (7.30pm)

## ■ METZ

DANCE L'Arsenal Tel: 33-87 39 92 00 Nult a choreography for nine dancers by Mathilde Monnier, performed by the Centre

#### Choregraphique de Montpellier; 8.30pm; Feb 2

#### ■ NEW YORK CONCERT

Carnegie Hall Tel: 1-212-247-7800 St Petersburg Philharmonic Orchestra: with conductor Yuri Temirkanov and violinist Pamela Frank perform Bruch's Violin Concerto No.1 in G minor, Slonimsky's St Petersburg's Visions, and Mahler's Symphony No.1 in D major (Titan); 8pm; Feb 5 New York Public Library for the Performing Arts - Bruno Walter Auditorium Tel: 1-212-870-1721 Douglas Riva: the pianist pays tribute to the Spanish composer and planist Enrique Granados; 3pm; Feb

DANCE New York State Theater Tel: 1-212-875-5570 New York City Ballet: perform the choreographies Divertimento No. 15. by Balanchine to music by Mozart, Opus 19/The Dreamer, by Robbins to music by Prokofiev, Glazounov Pas de Deux, by Watson to music by Glazunov, and Symphony in Three Movements, by Balanchine to music by Stravinsky; 8pm; Feb 2

## PARIS

CONCERT Saile Gayeau Tel: 33-1 49 53 05 07 Jean-Philippe Lafont: recital by the baritone. The programme includes works by Handel, Gluck, Mendelssohn, Mozart, Mahler. Fauré, Duparc, Schubert and Poulenc; 8.30pm; Feb 5 EXHIBITION Fondation Cartier pour l'Art

#### Contemporain Tel: 33-1 42 18 56 50

 By Night: exhibition devoted to the night and the way it has inspired painters, photographers, video and film makers. The display includes works by Edouard Vuillard, Félix Vallotton, Otto Dix, Weegee, Robert Frank, Pierre Molinier, Cindy Sherman, Wolfgang Tillmans, Felix Gonzalez Torres and others; from Feb 2 to May 19

#### ■ SAN FRANCISCO EXHIBITION MOMA - Museum of Modern Art

Tel: 1-415-357-4000 An Everyday Modernism: The Houses of William Wurster. drawings, models and photographs explore the 50-year career of the Bay Area architect. Wurster's homes, both urban and suburban. embody his principles of simplicity and economy, at the same time that they respond to environmental Conditions. Wuster joined forces with landscape architect Thomas Church to create living environments that reflected the conditions of northern California; to Feb 4

#### ■ WASHINGTON **OPERA**

Eisenhower Theater Tel: 1-202-467 4600 Il Barbiere di Siviglia; by Rossini. Conducted by Heinz Fricke and performed by the Washington Opera, Soloists include Michael Chioldi, Vivica Genaux and Brian Nedvin; 7.30pm; Feb 3, 6

#### WORLD SERVICE BBC for Europe can be received in western Europe on Medium Wave 648 kHZ

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**Economic Viewpoint · Samuel Brittan** 

## The snares of stakeholding

Managers who are theoretically responsible to workers, suppliers, customers and the general public are in practice accountable to no-one in particular

When Tony Blair, the leader of the opposition, embraced the stakeholder concept in his recent speech in Singapore, the Conservative government characteristically could not make up its mind how to respond. Some of the press briefings denounced the idea as socialism or corporatism or a return to trade union power. But others said that the Conservatives already embraced the stakeholder idea and that there was nothing new in Mr Blair's speech.

Both responses are wrong. The stakeholder idea of the company is not the same as trade union power. Nor is it the same as corporatism, which is mainly used for the tripartite setting of economic policy by central bodies of unions, employers and governments. And anyone can say platitudinously that every citizen in a democratic country should have a stake in national prosperity; or more tendentiously that if they do not have a stake they will riot. If used too loosely, this useful word will go the way of "democracy", "community" and others, and degenerate into a meaningless soundbite. But the expression stakeholder has acquired a much more definite meaning in recent discussions of how corporations ought to be governed. The stakeholder theory is offered by its exponents as tional view that companies should be run in the interests of their shareholders. It is because the word stakeholder has become controversial enough to antagonise some chief executives that the recent study on the future of the company by the Royal Society of Arts tried to broaden the duties of directors without mentioning the dreaded "s" word.

According to corporate practice, the rights of ownership belong to those who enjoy the residual gains, or bear the residual losses, of a corporation, when all contractual payments have been made. In

most corporations, this residual belongs to those who put up capital on other than fixed interest terms.

But it does not have to be like that. The worker-owned business is probably rarer than the consumer cooperative, but where it has succeeded it has achieved more noteworthy results. In the US Employee Share Ownership Plans, the equity is owned by the workers. This also applies to a select band of British companies, the bestknown of which is the John Lewis Partnership, the retailing group. Internationally the best-known example is the Mondragon group of enterprises based in the Basque region of Spain.

There are good reasons why those who put up capital should usually employ the workers rather than the other way round. There is room for experiment with more diversified forms of ownership, but it is probably too difficult under British conventions for a public company to transform itself into an employee owned one even if the shareholders are willing to be bought out. Most of the existing employeeowned businesses were originally family companies with owners who did not wish to leave them to their descen-

But whoever owns the equity, the role of the management is clear: it is to maximise the value of that equity. It is the object of the law, unwrit-ten rules and public policy to ensure that their efforts to do so benefit the wider public. There is also usually enough uncertainty about what will maximise long-term profits to justify many different approaches to the treatment of workers, customers, suppliers and others. Capitalism will not collapse if a business tries to produce a pleasant working environment or provides a playing field at the back of the establishment.

The economic argument for profit maximisation is that companies will prosper in a

a national or international demand and supply them at the lowest cost. The resulting growth of prosperity brings greater gain to workers and customers than more nebulous and unenforceable goals. Adam Smith made the famous remark about not depending on the benevolence of the baker for our daily bread. He also said that little good came of businessmen who professed to trade in the public interest. Motivation apart, businessmen do not have the knowledge to advance the public interest directly and will serve their fellows best if they concentrate on maximising their shareholders' equity rather than on promoting exports, combating global warming or

solving political problems. There has been a long discussion in business economics of the "principal-agent prob-lem". This concerns how to make the professional manager act in the interests of the ultimate owners. The threat of takeover is a crude enforcement mechanism, but one

simply to dissolve this problem in a general mushiness. Everyone is supposed to promote the interests of everyone else and no-one is really accountable for anything. Management is theoretically responsible not only to shareholders or even to workers. but to suppliers, customers and the public at large. This has no operational meaning. In practice it is simply a charter for management to do what it likes without accountability to the owners of the business. Managers will try to get away with this, but fortu-nately they rarely can.

There are too many romantic notions about how businesses are run in the Germanspeaking countries. As a Financial Times reader, David Morgan, remarked in a letter from Switzerland published on January 24: "It is a warm, comforting notion [that] the chief executive who stands before his shareholders [could] justify a big training initiative without being able to say that he believes it will lead to profit now or in the future. I



competitive market if they sup-ply services for which there is which is hard to improve. am quite sure that chief exec-ply services for which there is The stakeholder approach is utive would last no longer in The stakeholder approach is utive would last no longer in Switzerland than in the UK, and rightly so."

and employees". But they do not explain how a stakeholder services to make, for which and how to raise any extra capital that it needs. There is also a deliberate

will also be more prosperous. It is like the old Welsh stakeholding is not one of ecomotivation. Someone who is function best if they have spe-cific responsibilities for which means which are transparent, verifiable and respect the real-

The advantage of a traditional company is that there is a specific goal for which its managers are held accountable. As Elaine Sternberg, the business consultant, has said the "socially responsible" business is a loose cannon and a menace to itself and others (Just Business, Little, Brown,

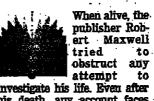
According to a study in sup-port of stakeholding by John Kay and Aubrey Silberston (NIESR Review, August 1995), a stakeholder corporation would have the task of "promoting the business of a company and to balance the claims of investors, suppliers corporation would take the ntial business decisions of deciding which product and markets and by what methods, what to charge customers

ambiguity about the pronouncements of stakeholder theorists. Such theorists say that managements should look beyond the bottom line and mere financial return. On the other hand, they are quick to tell their opponents that com-panies which adopt the practices of which they approve preacher who waxed eloquent about the moral virtues of honesty, adding just before he left the pulpit that it also paid. The core argument against nomics but of psychology and theoretically responsible to everyone for everything is in practice not responsible to anyone for anything. People they are held accountable by

## The difficult search for a chameleon

FOREIGN BODY - THE SECRET LIFE OF MAXWELL: By Russell Davies Bloomsbury, £14.99

> MAXWELL - THE FINAL VERDICT: By Tom Bower HarperCollins, £16.99



obstruct any attempt investigate his life. Even after his death, any account faces.

One is the desire of those involved in the collapsed empire to portray themselves the best light. A second is that some of the most colourful anecdotes are already well known. There is, for example, the story – perhaps apocryphal but ubiquitous – of Maxwell urinating from the roof of the Daily Mirror building, mocking the people below because "they don't even know someone is pissing on them".

A third, the most troublesome, is the nature of his life. Faced with an obstruction, his instinct was to change subject, travel to another country, even change what he was wearing. Neither Bower nor Davies portray him as mad, but the discontinuity which he found so convenient, and which created the confusion that enabled his empire to accumulate £4bn of debt, makes a chronicle of his life hard to tell.

Davies chooses to focus on one question: how Maxwell died. His conclusion, murder, leads him into an account of Maxwell's "secret life" - the foreign diplomacy, the links with the Soviet Union, Bulgaria and Israel, the contacts with the Soviet and British intelligence services which led to repeated accusations of spying and arms dealing.

But he has little more to go on than other writers in these murky realms. He argues in a compelling last chapter that the murder theory leaves fewer forensic loose ends than other explanations. This requires him to explain who might have wanted Maxwell dead and how they would have got onto Maxwell's boat in mid-Atlantic.

Davies' answer that any of publisher Rob- Maxwell's foreign contacts could have wanted him dead is, in the end, unconvincing. For all Maxwell's self-

aggrandisement, it was money and finance rather than his compulsive quasi-diplomacy that dominated his life, particularly in the last two years. And to his creditors, he was, without doubt, worth more alive than dead.

However, doubts about the central thesis should not deter readers from this thoughtful and witty account of Maxwell's life. Davies quotes the publisher's advice to his son: "Remember a listener is always more appreciated than a talker and avoid boasting." He gives Maxwell credit for

founding The European newspaper: "Maxwell knew more about Europe than the British customarily wanted to know."
He is particularly perceptive about Maxwell's infantile disposition. Describing his rage about "why my parents went to their death without a com-plaint," Davies observes: "What complaint could Maxwell have expected his parents, or any other Holocaust victim, to register, in the face of the Nazis' military-industrial pro-

gramme of homicide?" He adds: "His [Maxwell's] emotions were uncontrollable on the subject of the Holocaust; and as Elizabeth Maxwell's book makes clear, he treated his wife, during their last years together, uncontrol-lably badly. Both sets of behavlour, as she knew, had the same psychological root." In the end, did he treat him-

self that way? The theory of suicide is rejected by most writers who knew Maxwell as being against the nature of the man. Yet that conclusion is not incompatible with the portrait Davies draws.

Tom Bower sets himself on a different enterprise. Before

phy, Maxwell the Outsider, against ferocious legal obstacles thrown up by his subject. His latest investigation concentrates on reconstructing the last year of Maxwell's life.

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In doing so, it has provided an outstanding indictment, conversation by conversation, signature by signature, of the behaviour of some of the financial community and the direc-tors who took the Maxwell shilling. Bower has meticulously reconstructed these transactions and answers many past puzzles – such as how Maxwell mysteriously produced earnings of £80.7m from foreign currency trading in the 1991 accounts.

The book is not an easy read. It is dense; indeed, it is the closest experience most members of the public will have to being a member of the jury in the recent Maxwell trial. In his preface, Bower warns that "proper journalism ... is often complicated to read, unentertaining and inconclusive".

He has a fondness for cliché - "emotions raged across the accountroom" while "the ghost of Robert Maxwell bellowed in laughter". There is also a tendency to bland generalisation: The theatricality, the egocentricity and the vanity of the man were unsurpassed.

And those who are searching to understand Maxwell's emotions may find it frustrating. Bower warns that "those who attempted to understand his psychology invariably failed, because both his motives and his reasoning were unique". It is hard to discern, for example, whether Maxwell was afraid, either of being found out or of his empire collapsing.

But those considerations aside, Bower's latest investiga tion, like his first, is a valuable and impressive record of the anatomy of one of the most dramatic corporate collapses

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## IMF should sustain support of Russian recovery

From Professor Padma Desai. Sir. In "Russia steps backwards" (January 26), you raise legitimate concern about the continuation of the 1995 "macroeconomic reins" in view of the increased budgetary outlays announced by President Yeltsin for payment of overdue wages and salaries to government employees and

increased pensions. The problem is even more acute because the president has sanctioned more allocations for rebuilding war-ravaged Chechnya than than allowed in the 1996 budget. The projected revenues of the budget are also as problematic as the anticipated increases in outlays. Revenue from the sale to investors of government stock in Russia's

20,000 large factories on the

"federal list", expected to raise up to \$3bn for the 1995 budget, will certainly fall short. The Communists and agrarians in the pre-election Duma had opposed the programme in June 1994. The new Duma. with its increased strength. can be expected to be more

intransigent The 1996 targets adopted by the previous Duma of a monthly inflation rate of 1.9 per cent and a projected budget deficit of 3.9 per cent of gross domestic product are then in jeopardy. The options facing the International Monetary Fund, which is negotiating a \$9bn credit with the Russian government, are the following: • Stick to the 1996 inflation and budget deficit targets and the promised support;

 revise these targets down as unrealistic maintain the targets but increase the support temporarily to offset the added budgetary shortfall.

The first option is likely to force the Russian government into abandoning monetary and fiscal discipline as a political necessity, reversing the steady stabilisation gains of 1995. The second option sends the wrong signal that the IMF is willing to give up on these gains. The third option seems to offer the wisest course. Under the IMF's persistent prodding and strict monitoring, the economy's management has changed from bureaucratic controls to market-type instruments. Most prices are free, the quantitative trade

restrictions have been done

From Mr Adolf Rosenstock.
Sir, There is only one Emu

entry criterion that is strict.

Reconciling the political

aim of Emu with reality

away with, the export taxes have been removed, and energy prices are moving closer to world levels. The inflation rate has steadily come down from 2,600 per cent in 1992 to 873 per cent in 1993, 335 per cent in 1994 and an estimated 120 per cent to 130 per cent in 1995. Surely it is advisable for the IMF to remain engaged in the proces and to push it forward by financially supporting the fulfilment of the 1996 macroeconomic targets especially at a time when the Russian economy is showing signs of recovery.

Padma Desai, professor of economics, Columbia University, New York, NY 10027,

## Eximbank not competing

From Mr Martin A. Kamarck Sir, Re your article "Eximbank setback over \$1bn Gulf loan" (January 29), I want to set the record straight on the Equate project. The Export-Import Bank only provides financing that the private sector cannot, or where foreign governments are providing subsidised financing for their exporters. We do not compete with private-sector financing. That is our Congressional mandate For the Equate project, we learned very late in the game that financing has become

available from private-sector banks in the Gulf region and the US. It is fine with us that the

private sector is working as it is supposed to. That is the right result. It is always a winning combination when US exports occur and American workers benefit without using taxpayer dollars.

Martin A Kamarck, chairman, acting, Export-Import Bank, 811 Vermont Avenue, NW, Washington DC 20571.

## All-party talks on election best

From Mr John Forago Sir, The ballot box is obviously better than the gun "Better the ballot box", January 30) in Northern Ireland as elsewhere. Sinn Féin and other nationalist politicians would gain credibility and strength if their negotiators were backed by popular vote rather than by the threat of resumption of violence or even by declarations of continuing

non-violence. But the nationalist community cannot be expected to have confidence in an electoral process, suddenly announced, if the timing,

format and rules are to be determined solely by the British government with unionist politicians breathing heavily over their shoulders.

Would it not be more sensible to call all-party talks now with the primary purpose of agreeing when and how an election to a negotiating convention should be held? Until unionists are given some power and responsibility

through some form of election process, they are unlikely to do anything other than say no. John Farago 121 Church Road

London SW19 5AH

#### no country larger than Luxembourg, Denmark, Ireland and Finland will achieve this. Germany's

binding and feared - the 3 per cent fiscal deficit to gross domestic product ratio. By 1997 deficits are likely to grow from 3.6 per cent in 1995 to 4 per cent this year. By 1997, a small decline is possible, but the 3 per cent hurdle seems insurmountable. One way to reconcile the

political objective of Emu with reality is to relinquish this criterion – not a viable course for the German government. According to the preamble to the ratification law, the German government's vote in the EU council on the entry into Emu requires the approval of the Bundestag and Bundesrat (upper house) after appropriate evaluation. The Constitutional Court in October 1993 restricted the

interpretation and enactment of the Maastricht treaty: Ratification of the treaty does not mean that the country subjects itself to any automatism leading to Emu. The time schedule is not legally enforceable.

The preamble is fully valid.

 Powers of the Bundesbank can only be delegated to a & European central bank if the priority of price stability is clearly established The Emu entry criteria cannot be softened.

 Should the country enter Emu and this destabilise prices later, the government has to consider leaving Emu. The loophole out of this quagmire is in the Maastricht treaty 109j; "Should the starting point for stage III not be determined by the end of 1997 then stage III shall start on January 1, 1999. Before July 1, 1998 the Council

confirms. . . by qualified majority...which member countries fulfil the necessary preconditions for the changeover into a unified So, just a new deadline has to be defined. Otherwise it is not certain the EU council in 1998 can find a qualified

majority willing to send a sufficiently large number of countries into Emu. This would mean the silent death of the Maastricht Emu project.

Adolf Rosenstock senior economist, IBJ Frankfurt, Niedenau 13-19. 60325 Frankfurt, Germany



## **COMMENT & ANALYSIS**

## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday February 1 1996

## Central banks to the rescue

This year is fast shaping up to be much fanfare this week in Ger-the year of the central banker many and France differed in turned-saviour. With governments in the US and Europe hell-bent on fiscal prudence, the Bundesbank and the US Federal Reserve are being told that only they can save the world growth "pause" from turning into a recession. So far, at least, both seem happy to take on

With the Bundesbank widely expected to reduce interest rates at today's council meeting, its members may opt to preserve their reputation for unpredictability by leaving official rates as they are. But they have already shown a strong bias towards cheaper money. The repo rate, which was set at 3.4 per cent yesterday, has fallen by nearly two thirds of a percentage point since last month's half-point cut in the discount rate.

In less angst-ridden times, Mr Hans Tietmeyer, the Bundesbank president, would probably want to bide his time before loosening policy even further. With inflation now running at a little over 2 per cent, short-term real interest rates are already well below the long-term average of 3 per cent. Equally, December money supply growth was somewhat higher than

But these are not ordinary times. Germans have woken up to the fact that it is not only France that is in danger of digging itself into a recession in a potentially self-defeating attempt to qualify for European monetary union. The economic packages unveiled with approach. Yet each stimulus package promised far more than either government was in a position to

Mr Tietmeyer also has the US Federal Reserve to consider. A lower D-Mark would do more for Germany's immediate growth and employment prospects than interest-rate cuts alone can achieve The D-Mark has fallen by about per cent against the dollar since October, but it must fall further if the east German manufacturing sector is to produce a substantial increase in jobs for the region's unemployed. This may prove a forlorn hope if US interest rates continue to fall in lock-step with Ger man ones or, worse still, even

Mr Alan Greenspan, the Federal

Reserve chairman, has less room to play the saviour than Mr Tietmeyer. The unemployment rate is only 5.6 per cent, close to the level usually associated with rising prices. However, other data suggest that growth may have slowed to an annual rate of 1½ per cent, below the estimated potential rate of a little over 2 per cent. To judge by yesterday's quarter of a percentage point reductions in both the discount and the federal funds rates, Mr Greenspan believes he can prod the economy back towards trend at little risk to inflation. This is good news for US mortgage-holders, and good for Mr Greenspan's reputation on Main

## Disarming Chirac

"I feel today that I have accomplished one of the chief duties of my office, by endowing France with the means of her independence and security in the coming decades." Such was the boast of President Jacques Chirac on Monday night when he announced the end of France's nuclear test programme.

ble. (Could six tests really achieve so much?) It strengthens the idea that Mr Chirac's motive for ordering the resumption of tests last summer was more political than technical or strictly military. The reperts on whose advice he osten-ship acted certainly wanted more than six tests, and they are far from enthusiastic about the total han on future tests which France is now committed to negotiate.

The French defence establishment will await with apprehension the initiatives for an "active and determined role in world disarmament" which Mr Chirac has promised to unveil in the next few

It could be that he has simply been bounced into espousing the cause of disarmament by the unexpected strength of world reaction to the test programme. But it is more charitable, and on the whole more plausible, to assume that Mr Chirac knew more or less what he was doing all along. On this interpretation, he needed the test programme to establish his authority, and his Gaullist credenfrom the start that he would have to slaughter several sacred cows of Gaullist defence policy.
In this, as in much else, his gov-

ernment has built on positions already staked out by his rival Edouard Balladur during the last two years of François Mitterrand's reign, Mr Balladur's defence white paper of 1995 stressed the limits of The statement is hardly credi- what France could achieve by a purely national defence effort, and switched the emphasis to the contribution the country could make to a collective European defence.

That period also saw France develop a closer working relationship with Nato, particularly in the context of Bosnia. Mr Chirac has now formalised and generalised that new relationship, going about as far as he could without actually taking France back into the joint command structure or the nuclear planning group.

He has also recently signalled his desire to abolish conscription (a decision with a respectable Gaullist pedigree, since Charles de Gaulle first became known in the 1930s as the advocate of a profes sional army). This points the way to more efficient armed forces, but also almost certainly to much smaller ones, since man for man a professional army costs more than a conscript one. And there can be little doubt that the next sacred cow to come under Mr Chirac's knife will be the defence budget the only one in a major Nato coun try to have escaped significant tials, precisely because he knew cuts since the end of the cold war.

## Hormones

The US decision to challenge in the World Trade Organisation the European Union's ban on hormone-treated beef brings to a head a dispute which has stirred exceptionally strong passions on both sides of the Atlantic. For that reason, it poses a delicate test of the WTO's ability to uphold global rules, while maintaining their legitimacy in the eyes of public

The case is being brought under a new WTO requirement that trade restrictions applied on health and safety grounds be justified scientifically, if they are not covered by international agreements. On that criterion, the ban looks indefensible. Even the European Commission's scientific advisers have found no proof that hormone treatment is harmful.

Brussels insists the ban reflects strong concern among consumer groups and commands overwhelming political support - recently reaffirmed by farm ministers and the European parliament. That may well be so. But as a case for the defence, it amounts to arguing that trade restrictions should not be judged by the rules, but by their popularity in the countries

However, any WTO-inspired move to lift the ban could face strong opposition. It is easy to imagine a rancorous confrontation developing over the right of interno ional organisations to gainsay ereign democratic decisions. That could hand ammunition to right to choose.

lobbyists who argue that the EU should ignore its WTO commitments when they conflict with its decisions in other areas, such as environmental policy. In practice, if the EU lost the

hormones case, it could choose to keep the ban, while the WTO authorised the US to continue retaliatory sanctions it imposed on EU exports several years ago. Such a course, though legal would be ill-advised. The EU cannot afford to set a precedent which could encourage others to close their markets to its products on grounds as dubious as those it is employing. A defeat in this case would also undermine the laudable efforts by Sir Leon Brittan, the trade commissioner, to position the EU as a champion of open trade.

These risks should be avoided, if at all possible. The sensible alternative is for the EU to seek a compromise with the US and other beef exporters. It ought to be possible to agree on a system which allows hormone-treated meat to be imported, provided it is clearly labelled as such at the point of sale. US cattle producers have already said they would be ready to discuss such an approach. If Europeans are as profoundly averse to the use of growth-promoting hormones as politicians and consumer groups insist, they would be free to boycott products containing them. But at least they would have the

## Caught in the crossfire

With guided weapons decisive in modern warfare, three British orders are critical to the European missile industry, says Bernard Gray

n Bosnia last summer Nato aircraft often missed targets with conventional bombs, but 13 Tomahawk cruise missiles. launched against heavily defended areas which jets could not safely attack, scored 13 direct hits. Missiles are increasingly the primary weapon on the modern

Over the next year the UK will order £2.5bn (\$3.8bn) of missiles in three separate competitions which will decide whether Britain retains a significant guided weapons industry, and shape the future of the European missile market.

Yet - despite the fact that missiles are becoming the deciding factor in war - there are few signs that the UK Ministry of Defence feels the country needs to retain the technology to develop guided weapons.

The UK is looking for a cruise missile which can be fired from Royal Air Force fighters, which fly at least 250km at tree-top height, and destroy command bunkers, bridges and aircraft hangers. On top of this missile, the MoD wants an anti-tank weapon to be fired from aircraft, and a long range air-to-air missile, which will be the principal armament for the Eurofighter, the £32bn joint defence initiative.

The Procurement Executive, the weapons-buying arm of the MoD, is running separate competitions for each missile and will evaluate bids purely on the basis of bang for the MoD's very limited buck. Ministers will then decide whether its recommendations are politically acceptable, taking into account such questions as whether orders should be placed in the UK or abroad in the run-up to a general election.

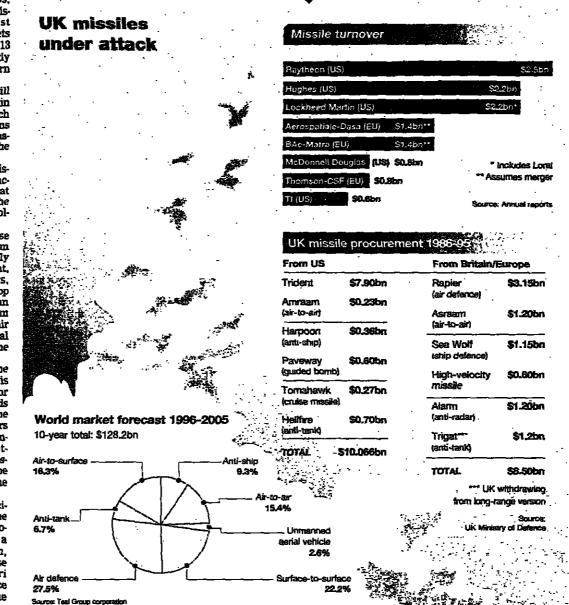
Much depends on the three decisions. The proposed merger of the missile operations of British Aerospace and Matra of France, part of a wider European consolidation, hinges on the outcome of the cruise missile competition. Mr Henri Conze, the head of French defence procurement, has insisted that the contract should go to the Matra-BAe team as a token that the UK is committed to a European defence

Britain, says Mr Conze, allows US companies to compete for its missile contracts, while the US market is all but closed to Europeans. The US also restricts access to the technology of missiles it does sell abroad, making it difficult for foreign buy-ers to arm themselves if the US refuses to supply further equipment. According to the French, it is time for the British to choose which camp they are in. If the UK picks predominantly US weapons, it is likely to be excluded from the rationalisation of the European missile market.

The orders, furthermore, come at a time when missile production in the UK is split between several companies and has reached a very low ebb, partly because the MoD has already placed almost £7bn of missile contracts with the US in recent years. British Aerospace's missiles division employs only 3,000 people, compared with 16,000 in 1989. GEC-Marconi, the defence and electronics arm of the General Electric Company, has only one such programme, producing guided bombs

for the United Arab Emirates. The new orders will determine which UK companies, if any, survive as missile makers, and decide whether the country retains a mis-

That may be important in war because missiles are one of the few weapons which countries will be able to produce rapidly and in quantity during a future conflict. With their highly complex systems, mod-



## Seven shots at the target

is expensive, and Hughes may

suffer because it has had a lim-

ited presence in the UK.

ing stealth technology

missile to fly into heavily defended areas and hit key targets with pinpoint accuracy. The MoD is considering seven con-

The front-runner is AirHawk from Hughes of the US. It uses the same terrain-following maps as Hughes' Tomahawk missile, which has an impressive operational record. However, AirHawk

ern fighter aircraft take between two and three years to make, and warships even longer. Any but the most protracted war is likely to be a some of its continental European "come as you are" conflict, with the combatants having to rely on aircraft, ships and tanks they already hold in their arsenals. Missiles will be vital to defend those aircraft and ships which are available and to

During the Gulf war, for example, the US started to run out of its Patriot anti-Scud missiles. Production was quickly increased, and staff at Lockheed Martin's plant in Orlando, Florida, tell of making a missile which was fired over Dhahran in Saudi Arabia less than 24 hours after it left the factory. But if a country does not control

inflict damage on the enemy.

technology and manufacturing for the missiles it needs, it can find it hard to get hold of wartime stocks. In both the Falklands conflict and

GrandSLAM, a stretched version of a missile which is already the Gulf war, the UK had difficulty in borrowing additional US-made Sidewinder air-to-air missiles from

Equally importantly, argue the UK manufacturers, it can be difficult to export aircraft armed with foreign missiles. The UK will often be in competition with US or French aircraft manufacturers for export orders, so either country might be tempted to withhold permission for its missiles to be exported to third parties on British aircraft. Since aircraft are primarily platforms for carrying missiles, barring export licences would blight British export prospects.

The MoD is, however, wary of many of the arguments for maintaining a UK missile industry. Officials are currently reviewing the department's policy towards the UK's defence industrial base, with

British Aerospace and France's Matra are jointly offering a veris producing for the United Arab Emirates, and Texas Instruments sion of the French Apache cruise is also offering a boosted version of a US guided bomb, the Joint missile, which is also expensive, but is said to include radar-avoid-Stand Off Weapon. The Israeli Popeye and the Ger-McDonnell Donglas is fielding

GEC of the UK is offering to

beef up the guided bomb which it

man KEPD 350 are thought to be outsiders. The winner should be known by July.

an eye to which technologies the

UK needs to retain. In the past the

MoD has been highly reluctant to regard any technologies, except nuclear weapons, as "special". The MoD's traditional argument rest on two premises. First, it says that while it supports a UK defence industry, a variety of weapons are available from friendly nations which means that the IIK does not have to be overly concerned about any particular equipment - including missiles. Second, it says that all

modern complex weapons contain

elements from so many different

countries that it is impossible to

ensure fully secure supplies of components anyway. This approach is in marked con-trast to that of the US, the only other western arms-making country with a competitive marketplace. On the rare occasions that the US buys

whole weapons systems from over-

seas, it insists on all of the technology being transferred to the control of a US company, so that the Pentagon can be sure of its supplies.

However, even if the MoD was inclined to behave more like the Pentagon, the UK guided weapons industry may already have slipped past the point of no return. The substantial orders placed overseas in recent years by the MoD have left the UK little presence in many

missile areas. Britain has already withdrawn from long range ballistic missiles, and has only a niche position, with its new Rapier 2000, in air defence systems: these two segments of the missile market account for half of all sales worldwide. French and American weapons are dominant in anti-ship missiles, and in current air-to-air systems the US short range Sidewinder and longer range

AMRAAM control the market. Even where the UK does have expertise, the technology is split between manufacturers, and the UK cannot muster companies which make all of the relevant missile parts. GEC has skills in developing the missile seekers which identify and lock on to targets, while BAe has experience in aerodynamics, pulling the elements of the missile system together and integrating the weapons on to aircraft. But in areas such as cruise missile motors and certain types of warhead, the UK is already dependent on overseas man-

his splintered and partial capability has increased pressure for the UK to form part of a single European missile company, and is one of the reasons BAe and Matra have been negotiating a joint venture.

Aerospatiale of France and Daimler-Benz Aerospace of Germany have already agreed to pool their missile interests as a precur-sor to general consolidation. Yet the teams involved in the current competitions do not lend themselves easily to this outcome, even if the MoD is inclined to award the contracts in a way that promotes a European alliance. There is a patchwork quilt of teams which alters from competition to competition: BAe is joining Matra for the cruise missile contest but with Hughes of

the US in the anti-tank bid. Only in the case of the Eurofighter missile is there a clear way through the thicket. That competition is likely to boil down to a bid by Hughes of the US with a beefed version of its current Amraam missile, and a European consortium of several of the partners in Euro-fighter: Britain, Germany, Italy and Spain, and possibly also France and sweden. Because of the need to be able to export Eurofighter without restrictions, the contract is likely to go to the European consortium, if it can muster a half-way decent bid.

However, it remains to be seen whether there will be much of a UK industry to back the project. If the cruise missile contract is not placed with the BAe-Matra team, Matra has said it will call off the proposed

Since the British government says it supports a free market in defence equipment arguably the best solution for BAe's shareholders would be for the company to sell its missiles division to Hughes. That would leave the MoD stranded between restricted US technology and a European consortium in which Britain had no part for supply of many of its most important weapons; which was probably not what the MoD's mandarins had in mind when they first invited bids.

## BSERVER

## Barcelona under attack

Numancia has its place in Spanish legend, as the site of a local tribe's heroic stance against a Roman army. However, Numancia could go down in the Spanish history books tonight for another reason. Its local part-time football club takes on mighty Barcelona for a place in the semi-finals of the Spanish Cup. The contest could be taken right

out of a Roy of the Rovers comic strip. Numancia, struggling to stay in the third division, has already seen off three sides from the first division - Racing de Santander, Real Sociedad and Sporting de Gijón. Tonight's match is the most exciting thing to have happened for decades in Soria, capital of a backwoods province north of

It can count on the support of a large part of the country, not just because it is the underdog but also because Barcelona is regarded almost as the national team of Catalonia. Any chance of seeing the Catalans humiliated is to be

The contrast between the teams could hardly be greater. Most of Numancia's players mix their sport with studies. The club has just 1,200 members compared with Barcelona's 105,000. Its annual budget, Ptall4m, is equivalent to 0.013 per cent of Barcelona's

Pta8.6bn. It has had to lash out Ptal7m on renting extra grandstand facilities, increasing capacity to an unheard-of 12,500

The decisive return leg is in two weeks. Even if the whole town went, it would fill less than a third of Barcelona's stadium. Barcelona, which has won the cup no fewer than 22 times, is taking a studiously calm view of the encounter. But spare a thought for the referee. The previous heroes of Numancia in 133 BC burnt their town down and put themselves to the sword rather than swallow

## **Unids** in

Not a happy ship, it would seem, the Securities and Exchange Commission at the moment. The latest to make for the exit is Linda Quinn, director of the corporation finance division. She follows Brandon Becker, director of market regulation, and Simon Lorne, the SEC's general counsel, who both jumped late last year.

Having totted up 16 years at the place, she was the SEC's longest serving director. But at the end of next month, she will be heading back to the more lucrative waters of private practice, with law firm Shearman & Sterling.

Many non-US companies have her to thank for supervising the Rule 144A amendment which has made it easier for foreigners to

Quinn was reckoned to be dismayed by reforms to securities litigation legislation, designed to protect companies from frivolous snits but which critics say will deprive cheated investors from SEC simply isn't much fun these days under Arthur Levitt. who wields a big stick and keeps the purse strings exceeding tight.

#### Up beat As conductor Riccardo Muti

rails at "chronic and comic Italian inefficiency", two things emerge about the tragic fire at La Fenice in Venice. Not only had the theatre's normal fire alarm been deactivated to make way for a new ultra modern system, but also the reason the surrounding canals had been drained was to remove decades of mud deposits that were hampering fire-fighters' access.

The last word, however, goes to Woody Allen. If arson were the cause, he mused, mindful of his engagement to play his clarinet at La Fenice in March, "the culprit could only have been a serious music-lover".

## Sight unseen

Always an eye for a gap in the market, these Egyptians. An opposition newspaper, Al Wald, tells the story of a man

paying his last respects to his father, who had died of a heart attack and was stored in a Cairo hospital morgue. To his horror, he discovered that the deceased's eves had been removed.

When questioned, the morgue attendant told police that he filled regular orders from one of the state-owned Eve Banks, which then sold the corneas to hospitals for about \$40. Its chairman, Mohamed Ibrahim, was thus placed in the potentially tricky situation of having to explain why corneas were taken without relatives'

He hardly batted an eyelid. In his defence, the Eye Banks boss complained that the bureaucracy required to obtain consent was little short of murderous. And besides, a fatwa had been issued by Egypt's highest Islamic authority. the Mufti, which said it was not a sin to take corneas from the deceased as long as it was absolutely necessary.

## The C-word

■ President Zedillo of Mexico was in full flood at The Royal Institute of International Affairs in London on Tuesday when his foreign minister passed him a note correcting his otherwise impeccable English. "Ah yes." said the president, "I have mixed up 'compromise' and 'commitment'. I have been doing that for the last 15 vears."

## Financial Times

#### 100 years ago A shareholders' lament

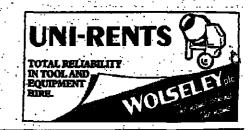
Letter to the Editor: In October last, at a shareholders' meeting of the Gwelo (Matabeleland) Exploration and Development Company, the chairman announced that he was going to Lisbon to acquire a large concession from the Portuguese Government, The concession comprised all the lands between the Limpopo River on the east, the Transvaal Republic on the west and the Lomati River on the south with about 70 miles of coast on Delagoa Bay. He also stated that he hoped to return within two or three weeks. Over three-and-a-half months have since elapsed, and no information has been given the suffering shareholders who have seen their shares fall to a price at which they are unsaleable,

#### **50 years ago** Democratic govt. for China

Generalissimo Chiang Kai-shek yesterday instructed the Kuomintang (Government Party) to accept the results and decisions of the All-Party Political Consultative Conference. In effect he is ordering the end of one-party rule in China. General Mao Tse tung, chairman of the Central Committee of the Chinese Communist Party, is expecting her to join the Coalition Government which is being set up after 1st March.

**BRITISH VITA PLC** 

14



## Polish parties choose new candidate for PM

rsaw and Anthony Robinson in London

An early end to the Polish political crisis was in sight last night after the leaders of both coalition parties agreed to put forward Mr Wlodzimierz Cimoszewicz from the ruling Democratic Left Alliance (SLD) to replace Mr Jozef Oleksy as nrime minister.

Mr Oleksy, who resigned last week to contest allegations of spying for the KGB, is playing a key role in the negotiations for a new head of government after his election as chairman of the SLD

over the weekend. Yesterday, Mr Waldemar Pawlak, head of the Peasants party (PSL), and Mr Oleksy told President Alexander Kwasniewski that Mr Cimoszewicz was acceptable to both parties as a candidate for the premiership. Earlier the PSL had tried to secure the

Mr Cimoszewicz, a 45-year-old lawyer and deputy speaker of the lower house of parliament, is widely seen as a pragmatic and relatively independent figure who is trusted by the former

communists. He is also liked by

the liberal democratic wing of

the opposition Freedom Union.

As chairman of the constitutional committee, set up to draw up a new constitution, Mr Cimoszewicz is also well placed to steer the new constitution through parliament.

Mr Kwasniewski, who named Mr Wladyslaw Bartoszewski, the former foreign minister, as an another potential candidate for the premiership, is expected to announce his choice before his departure today for the World Economic Forum meeting in Davos, Switzerland.

Under the constitution, a prime minister designate has 14 days within which to form a new govfidence in parliament.

In return for acceptance of SLD leadership of the coalition, the PSL is seeking more power within a new government.

The PSL, which represents the powerful farming lobby in a country where more than 40 per cent of the population still lives and works in the countryside, is narticularly keen to increase its influence over the privatisation ministry and also wants the removal of Mr Jerzy Jaskierna,

the justice minister. Fear that a government reshuffle would slow down the privati-sation programme has helped to speed up some long-delayed privatisation deals. On Tuesday, Philip Morris of the US agreed to pay \$227m for a controlling stake in ZPT Krakow, the country's largest tobacco plant, after months of difficult negotiations.

# on Emu

In a speech to the European Parliament billed as a counterattack against the recent wave of scepticism about the proposed single currency, Mr Santer said it was vital for EU countries to deficits, control inflation, tackle

His remedy is a "confidence

The Santer initiative marks a more offensive stand by the European Commission, which has watched in frustration as calls for a delay in the Emu time-

Britain, which has an opt-out on EU social policy, is wary of corporatist solutions to unemployment. But Mr Santer said: "The continuing high level of unemployment is putting the cohesion of our societies at risk, it is shaking the foundations of

possible because of significant underspending on the Common Agricultural Policy thanks to reductions in farm production. Brussels has calculated that an extra Eculbn might be available for the trans-European networks, the multi-billion rail, road and telecoms projects. It believes it can also squeeze an extra

## Ramos hit by coalition split

By Edward Luce in Manila

The administration of President Fidel Ramos of the Philippines was dealt a serious blow yesterday after the largest party in the ruling coalition left to form an opposition group in the senate.

The split, which could deprive the Ramos administration of a majority in the powerful upper house, raises doubts about the government's ability to enact several key but controversial eco-

Among reform initiatives which economists say are vital to the further recovery of the Philippine economy are deregulation of the oil industry, a new tax system to enhance government revenues, and an anti-terrorism bill to fight a growing Islamic sepa-

Senator Edgardo Angara, leader of the Liberal Democratic party (Laban), which left the ruling coalition yesterday, has made no secret of his ambition to run for president in 1998 when Mr Ramos is due to stand down. It was not clear yesterday

whether the smaller parties in the 24-member senate would join Mr Angara's opposition group to deprive the pro-administration Lakas party of its majority. Political commentators said it could take several days before wavering senators made up their

"Yesterday's split signals the beginning of a very long war of attrition for the presidential crown in 1998," said Professor Alex Magno at the University of

Up in the clouds

the Philippines. "Mr Angara's group will attack the president's reforms at every turn to put maximum distance between Angara's presidential bid and whoever Ramos promotes to inherit his party's nomination."

Mr Ramos, however, can count on the support of the 204 member House of Representatives where his Lakas party controls 130 seats. But, under the US-style constitution, the senate reserves the right to block and amend legislation passed by the lower house.

"President Ramos must push through some very important reforms this year to keep the eco-nomic momentum on track," said Mr Peter Wallace, director of

## Santer in jobs boost to aid progress

By Lionel Barber in Brussels

Mr Jacques Santer, president of the European Commission, yesterday launched plans for a pan-European "confidence pact" in response to fears that the drive towards monetary union is put-

ting people out of work. He called on member states to "stay to the course" for the single currency, but proposed to spend an extra Ecul.7bn (\$2.15bn) by the end of the century on public works and research projects.

work together to reduce budget unemployment - now at 18m - and kickstart economic growth.

pact" - a repackaging of existing macro-economic strategy, longpromised plans to dismantle labour market obstacles and closer co-operation between goveroments, employers and trade unions along the lines of this week's action plan for jobs in Germany.

table have increased. Mr Santer made clear he would

not countenance a delay, but conceded that more needed to be done to tackle unemployment. In a move which could upset Britain, he announced that the Commission would press for employment to be addressed "explicitly and strongly" in this year's intergovernmental conference to review the Maastricht

our European model."

He intends to sell his plan to EU heads of government in a tour of EU capitals. He also announced plans for talks in May on unemployment, to be attended by trade union leaders

A shift in priorities is partly Ecu700m for research and devel

Iberia row, Page 7

markets, mainly because failure to cut would have been a severe disappointment. It is not difficult to justify the reduction; the latest data this week, including retail sales and producer prices, produced no evidence that eco-nomic growth or inflationary pressures are picking up. In fact, a further quarter-point cut in a month or so is also priced in. This is reasonable enough. It implies a real Federal funds rate of 2 per cent, viewed as a neutral policy stance, The worry for the financial markets is that, for the moment, that looks like the end of the line. The Fed will not cut rates beyond that point unless it

The latest quarter-point cut in US

expects much worse economic news. Worse, the yield curve is now so flat that there is limited scope for longdated bonds to rally without more rate cuts. And with inflation worries written off, any return of the spectre of inflation would cause jitters at the long end of the market.

This does not mean that a sharp downward correction is imminent. And as long as the inflationary environment remains benign, and growth slow, the bond market may well remain steady, allowing the stock market to continue its ascent. But US bonds look an increasingly risky

The German bond markets' relative charms, meanwhile, are growing. Not only does the steeper yield curve in Germany leave more room for bond prices to rise, but the Bundeshank has clearly signalled a change of gear in monetary easing.

Yesterday's mildly disappointing fig-ures from Fiat suggest the group's recovery is running out of puff. Despite severe cost cuts over the past two years, buoyant sales of its Punto small car and the weakness of the Italian lira, 1995 operating profits of L3,400bn (\$2.1bn) were below most analysts' forecasts. One problem has been a sharp

decline in Brazilian car sales, traditionally a very profitable market for the Italian carmaker. The impact has been worsened by an increase in import tariffs to as high as 70 per cent. More worryingly, Fiat is experiencing cost pressures again. So far this has been confined to components, such as tyres. But the group has agreed to a 7-8 per cent increase in labour costs for this year, when wages at most of

## THE LEX COLUMN

## cut in time



its international rivals are rising by less than 3 per cent. That will put pressure on Flat's margins, which, at an estimated 2 per cent for the car division, are still below average.

The group's momentum this year depends heavily on the success of its new Bravo/Brava range. Italian sales have started well, but the breakthrough into export markets will have to be made against a European car market expected to grow just 2 per cent this year. Demand for the group's trucks and agricultural machinery will not be much better. The steep decline in the share price over the past eight months reflects much of this uncertainty. But on nearly 18 times this year's earnings, the shares still look expensive compared with other European carmakers.

#### Enterprise Oil/Elf

Better a good divorce than a bad marriage. That is certainly true of the unwinding of Elf and Enterprise Oil's North Sea joint venture. Formed in 1991 as a convenient parking-place for part of Elf's stake in Enterprise, the operation turned out to be a lousy investment. Given that the joint venture was lumbered with £400m of bonds paying interest at 8% per cent, dismantling it was bound to be a temotation.

For Enterprise in particular, it is the right option. Instead of a minority stake in a joint venture, Enterprise will have full control over its share of the assets - and the right to sell them. For Elf, which owned two-thirds of the venture, the case for pulling out was less clear-cut. But the fact that it has been active in the North Sea on its

own suggests the joint venture had become surplus to requirements. By drawing a line under some of the messier episodes of its past - it has sold its stake in Lasmo as well -Enterprise is starting to fill the "strategy vacuum" which has worried investors ever since the Lasmo bid failed. More importantly, it has been lucky; recent discoveries in Norway, Den-mark and Italy have done much to boost the company's future production profile. That, together with the fact that the shares have underperformed the market by 20 per cent since last January, makes them look distinctly reasonably priced. But with the oil price going through a bout of the jit-ters – and Lasmo arguably cheaper –

seychell hranded

#### UK conglomerates

they are not yet a bargain.

Claims that the British conglomer ate is dead look premature despite Hanson's decision to break itself up. Hanson is a special case, with poor cash flow, high dividends, and a haphazard spread of mature businesses. One of the ironies of Hanson's demerger is that the most highly rated of its four parts will be the residual miniconglomerate rather than the more focused chemicals, tobacco and energy

Indeed, the break-up of Hanson could lead to a renaissance for its peers. Its dismal share price performance during the 1990s has depressed the entire sector. Williams, Tomkins and BTR have all been tarred with the Hanson brush. However, they have all achieved higher returns on capital, invested more in expanding their businesses, and - but for Tomkins - have been steadily focusing on core areas of competence. Williams has shrunk to three related businesses, and BTR, while it retains a myriad of operating subsidiaries, has already undergone a dramatic clear-out. So long as conglomerates can continue to extract benefits from commercial links between subsidiaries, or pick-up undervalued businesses in areas where they have management expertise, their role should be safe. Hanson

was the oddest one out.

There is scope for further portfolio restructuring – BTR could hive off its fast growing packaging business. But if Hanson's break-up heralds any change for conglomerates, it is likely to be revitalisation rather than death.

Lex comment on Alliance & Leicester,

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## Warning on German jobs

Continued from Page 1

to cut social costs for companies. to reduce red tane and to lower the corporate tax burden.

As part of this week's economic package, the German gov-ernment pledged to have a second look at tax rules, introduced at the beginning of the year, under which users of company cars pay tax on 1 per cent of the car's list price each month.

The VDA yesterday calculated that the car industry would lose between DM3bn and DM4bn in sales of new cars, about 5 per

stepping up its efforts to remove the new tax. Mr Helmut Werner, chairman

of Mercedes-Benz, the luxury

carmaker, said the impact of the tax was already being felt in the

secondhand luxury cars market.

**Europe today** 

cent of domestic turnover, if the law remained in place.
Sensing a possible U-turn by
the government, the industry is

still being challenged by relent-less competition from smaller, charged by existing carriers.

## US airlines land on their feet

FT WEATHER GUIDE

Continued from Page 1

Wall Street analysts said US airlines will also find it tough to improve on this performance in the current year since all the easy cost-cutting has already been accomplished.

low-cost carriers. Southwest Airlines and ValuJet Airlines are expanding rapidly, and a newly resurrected Pan Am has said it would launch domestic services this summer at half the fares

## Meanwhile, the big airlines are

The Benelux, northern France and southern Germany will have a lot of sun but maximum temperatures will be around freezing. The Czech Republic, southern Poland and the countries surrounding the Alps will be sunny. Most of Russia will be cloudy. Scattered cloud will cross northern Poland and Germany. Russia will have some snow. Spain and, later, southern France will have a lot of cloud and rainy periods. Portugal will have showers.

Showers will also occur in Turkey and

#### Cyprus. Five-day forecast

Spain, Portugal and, later, Italy will remain unsettied until the end of the weekend. During the weekend, cloud and rain will occur in the Balkans and will move towards Greece and Turkey. A disturbance will cross the western parts of the continent bringing rain to France and snow to the Benetics. During the weekend, there is likely to be snow in Alpine countries at the higher altitudes. The UK will be rather cloudy but mainly dry with sunny periods.



TODAY'S TEMPERATURES

No global airline has a younger fleet.

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